
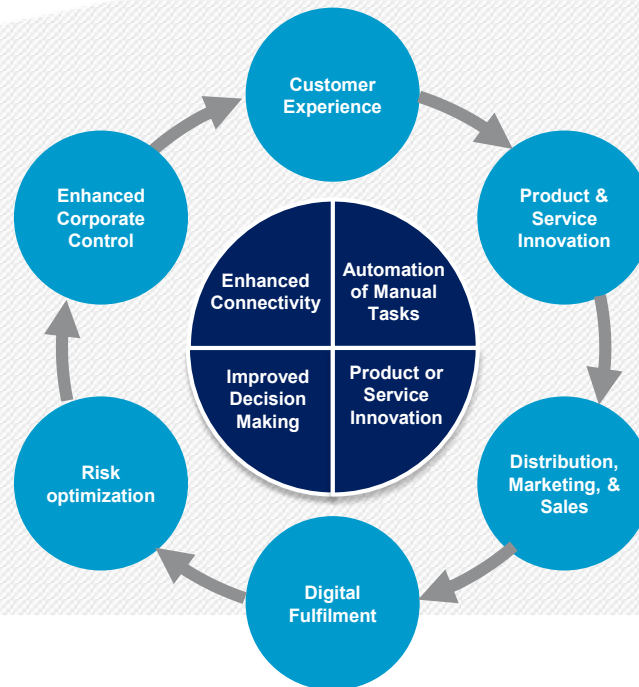


Digital Transformation

VALUE CREATION & ANALYSIS

A child in a white shirt is shown from the side, reaching up to hold a white paper airplane against a bright, hazy sunset sky. In the background, several wind turbines are visible in a field of tall grass.

Digital Transformation: Value Creation & Analysis



Contents

- **Overview**
 - **Digital Value Chain**
 - **Horizons of Digital Transformation**
 - **Digital Transformation Opportunity Assessment**
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This framework explores the various aspects of Value Creation and Analysis through Digital Transformation

Presentation Overview

Most organizations recognize the significant potential in creating value through Digital Transformation. However, they may struggle with the question of exactly how much value they can create and where within the organization the value will come from. This presentation deals with the various aspects of Value Creation through Digital Transformation.

Specifically, we explore the following topics:

- Sources of Digital Value
- Digital Value Chain Analysis
- Digital Transformation Opportunity Assessment
- Horizons of Digital Transformation

Most organizations are leaving money and value on the table with their Digital Transformation efforts. They focus only on specific functions, typically customer-centric operations, instead of looking for impact across the whole Digital Value Chain.

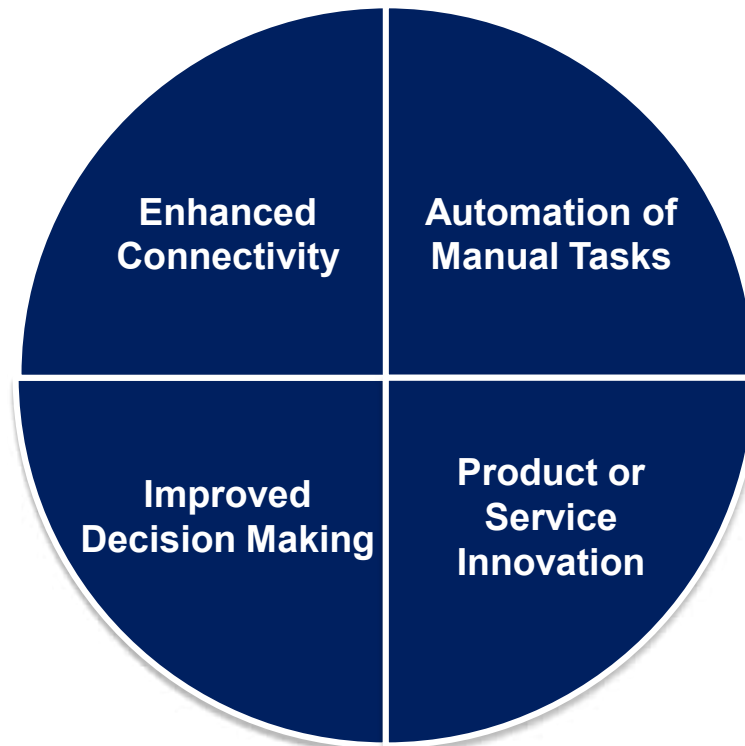
To capture the maximum value available, organizations need to assess the value at stake and invest proportionally to that value. They then need align their business and operating models accordingly.

The potential impact of digital technology varies greatly by industry.

Through Digital Transformation, value is generated from 4 primary areas— Connectivity, Automation, Decision Making, and Innovation

Sources of Digital Value

Emerging technologies have enabled Digital Transformation initiatives to create value in businesses in various ways. These ways can be categorized in 4 general sources of value:



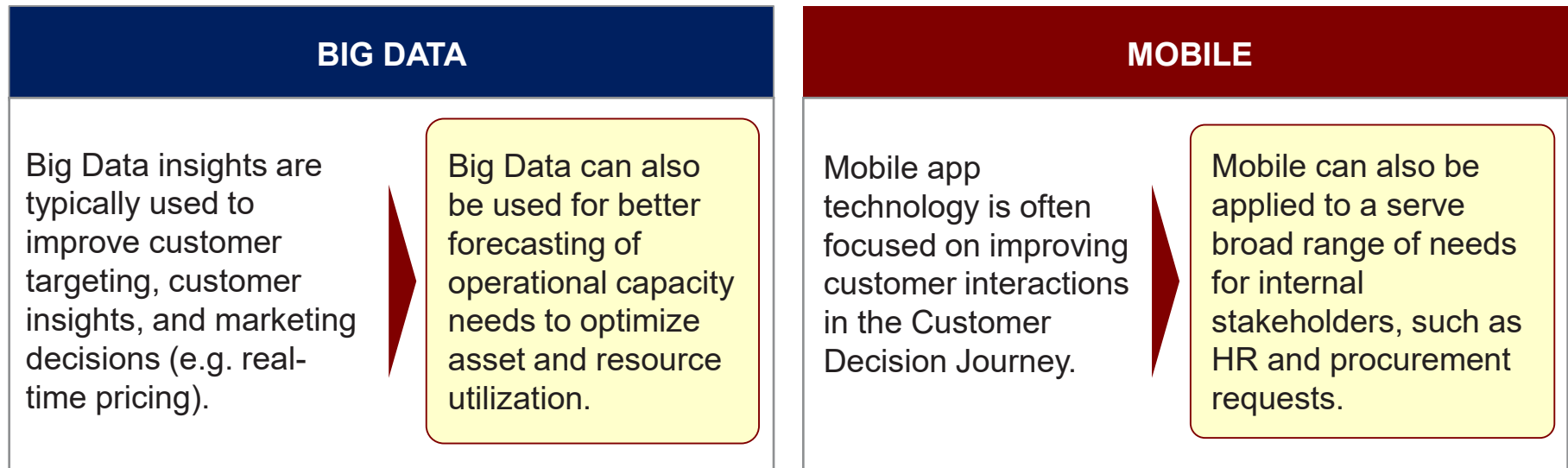
These benefit areas can be applied to nearly every function within the organization.

Let's take look at a couple examples of emerging Digital technologies—**Big Data and Mobile**—and evaluate how their applications can be extended

Value Extension Examples

Smarter and more comprehensive digital solutions not only deliver improvements within a given function, but they can also unlock “trapped” value by improving information flows and reducing waste across the organization.

Many organizations tend to focus application of emerging Digital technologies on more customer- or external facing use cases. However, this narrow mindset creates missed cost reduction opportunities within the organization. Here are some examples:



Digital technologies can be leveraged to expand the improvements delivered in one part of an organization across the whole Value Chain.

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- Overview

- Digital Value Chain

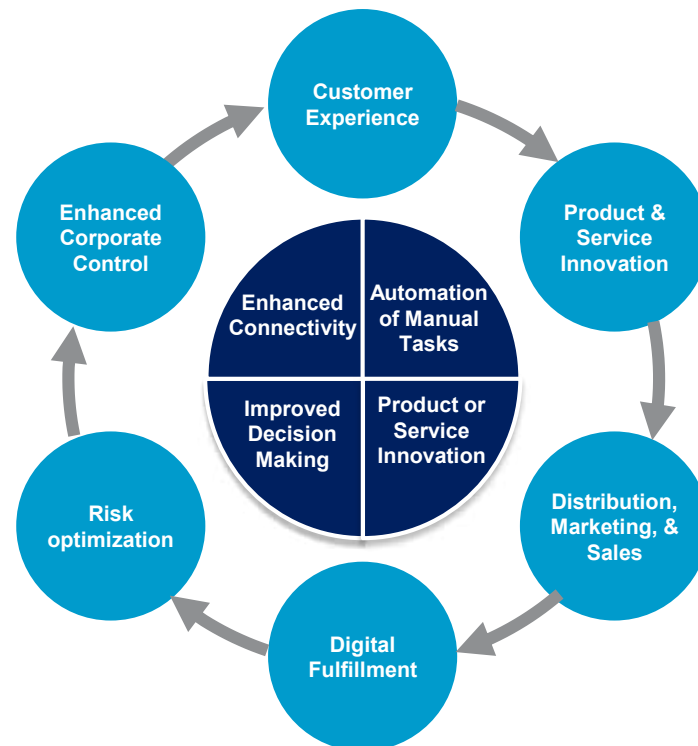
- Horizons of Digital Transformation

- Digital Transformation Opportunity Assessment

Although we tend to focus on Customer Experience, the Digital Value Chain embraces functions across the organization

Digital Value Chain Model

Although digital investments are often selectively applied to certain more “obvious” functions, e.g. Customer Experience, the Digital Transformation should embrace the full “Digital” Value Chain, including support functions, e.g. Risk.



1. Customer Experiences
2. Product and Service Innovation
3. Distribution, Marketing, and Sales
4. Digital Fulfillment
5. Risk Optimization
6. Enhanced Corporate Control

Digital Transformation allows improvements and assets created in one of area part of the organization to be leveraged by other parts.

Our Digital Value Chain model consists of 6 core functions, explained below

Digital Value Chain Details

Customer Experience

- Customer Experience and other more Marketing and Sales oriented areas are often the most heavily invested areas for Digital Transformation.
- The Customer Experience should be a seamless, consistent multi-channel experience.
- Attain a service proposition of “whenever, wherever.”

Product & Service Innovation

- Introduce new digital products and service enabled by emerging technologies, e.g. Social, Mobile, Cloud, Big Data, Analytics, Blockchain, RPA, etc.
- Enable co-creation of new products between different organizations

Distribution, Marketing, & Sales

- Invest in digital marketing campaigns, where results can be clearly tracked, attributed, and finetuned to increase the return on investment of marketing spend
- Digital channels will augment traditional channels—synergies among various channels will improve ROI across all channels.

Digital Fulfillment

- For e-commerce sites, digital fulfillment allows for the complete payment to provisioning process to be completely and seamlessly automated.
- Virtual servicing and administration features are also enabled.

Risk Optimization

- With customer insights and other data and analytics, we can improve customer targeting.
- Enable embedded/automated controls and risk profiling.
- This concept is not new for operating equipment, e.g. machinery, processes in factories when the risk of damage is high and action needs to be taken immediately.

Enhanced Corporate Control

- Digital technologies enable an improved, real-time management information systems and decision making.
- We can also seamlessly integrate with third parties.

Digital Transformation can reshape every aspect of the modern enterprise.

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- **Digital Value Chain**

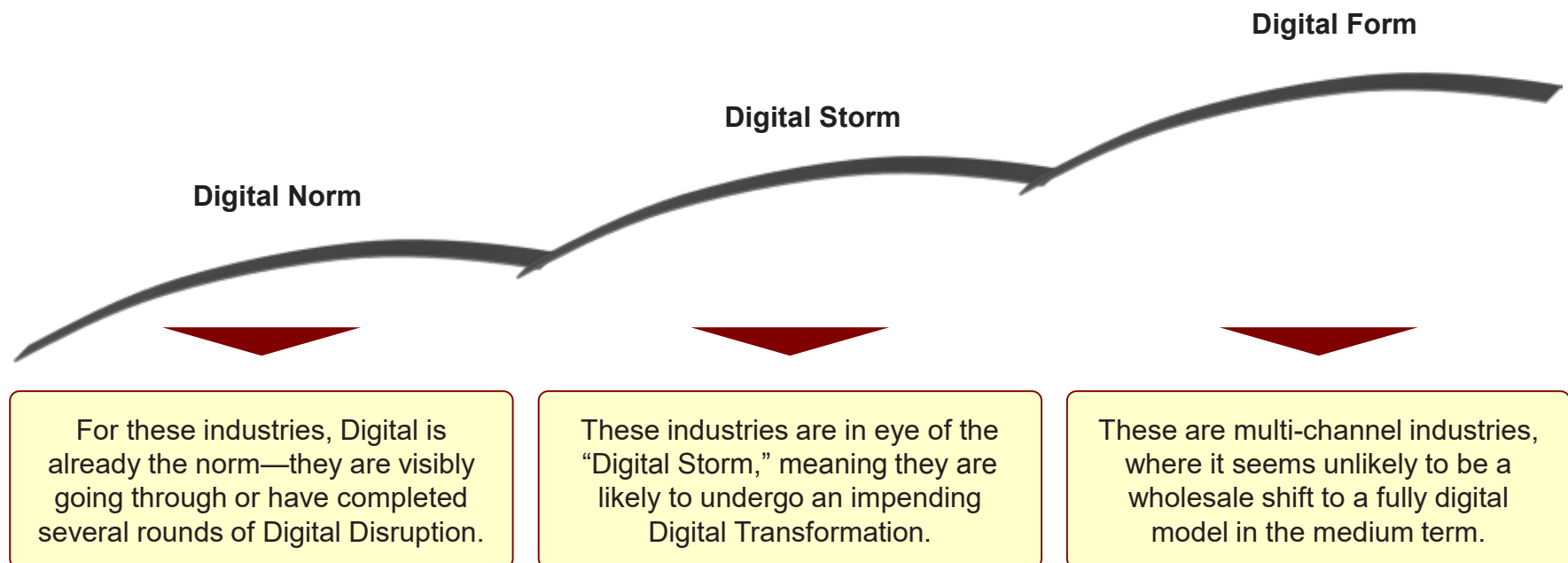
- **Horizons of Digital Transformation**

- **Digital Transformation Opportunity Assessment**

The impact of Digital varies by industry—we can classify industries into 3 clusters, or horizons

Industry Analysis – Horizons of Digital Transformation

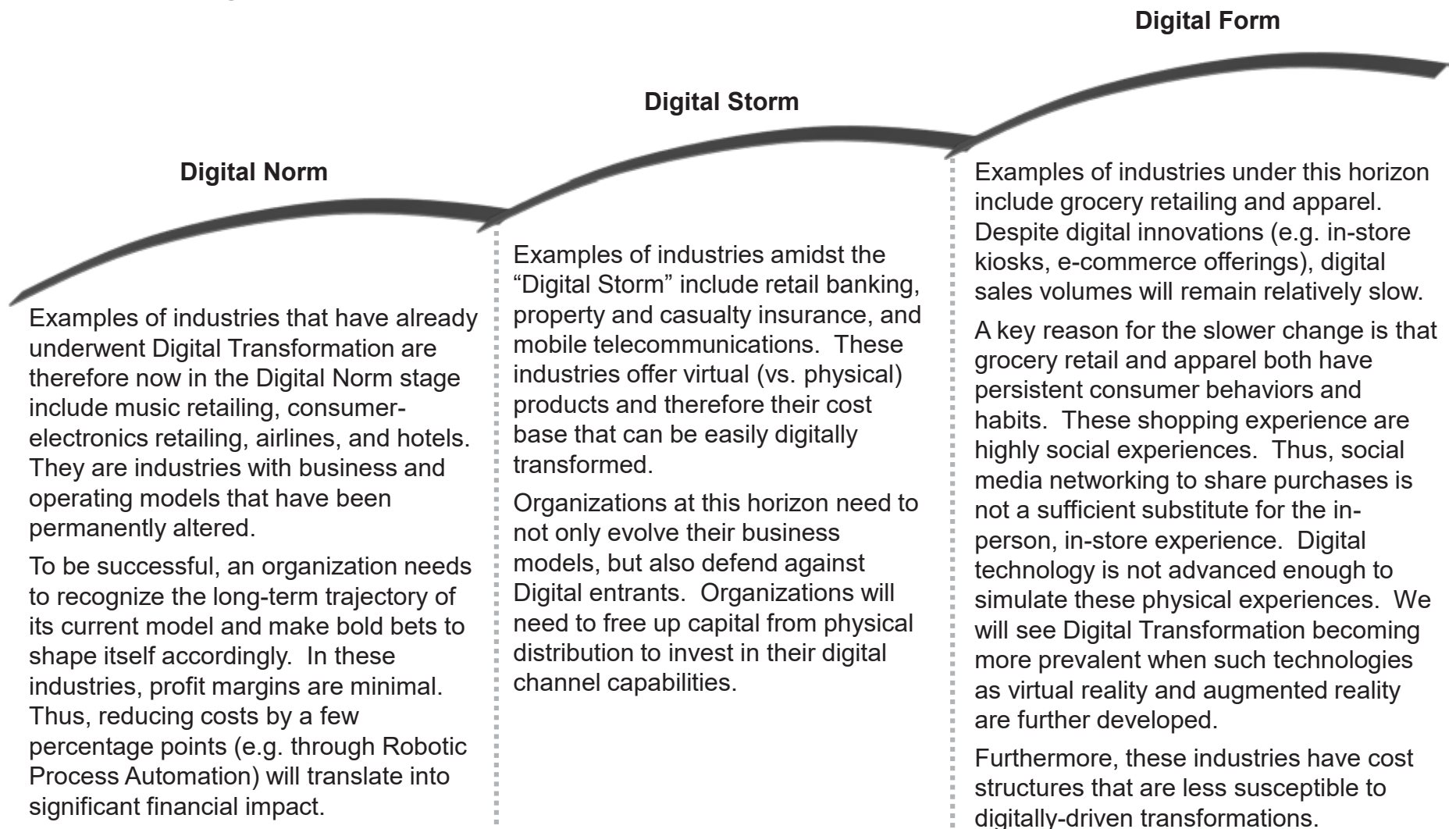
The impact of Digital varies by industry, as one would expect. It will be highly disruptive to some industries, affecting not only top-line revenue and cost structures, but also reinventing the core business and operating models. For other industries, the impact is less dramatic or more distant in the future. We can classify industries into 3 horizons, facing varying levels of change.



The most notable example of an industry that has been completely transformed already is the Music Industry.

Let's take a closer look at the 3 horizons—Digital Norm, Digital Storm, and Digital Form

Horizons of Digital Transformation Details



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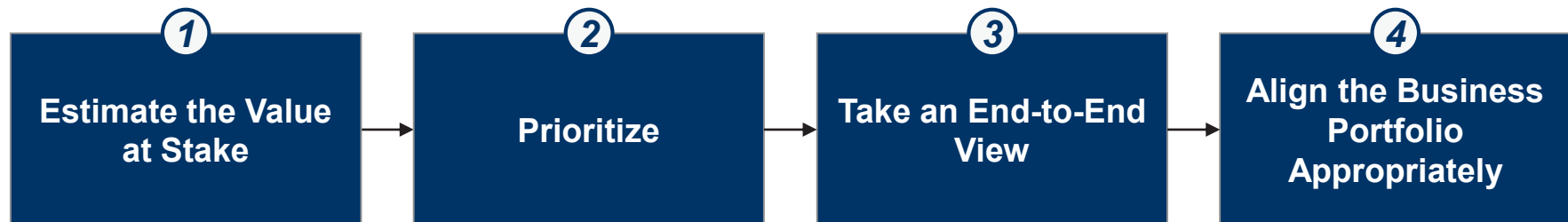
- **Digital Transformation Opportunity Assessment**

To properly assess and act on the Digital Transformation opportunity, we should follow 4 key steps

Digital Transformation Opportunity Assessment

Although organizations should embrace the Digital age and its emerging technologies, it must seize such opportunity only when the timing is right. Timing is critical, as in all aspects of business & life.

To assess and act on the Digital Transformation opportunity, follow 4 steps.



There is no need to undergo a comprehensive Digital Transformation when more targeted improvements will suffice – the opposite is also true.

First, the value of the opportunity must be accurately estimated—and then prioritized accordingly per available resources

Digital Transformation Opportunity Assessment – Steps (1 of 2)

1 Estimate the Value at Stake

- First, we need to establish a clear idea on the potential Digital sales and cost reduction opportunities.
- Digital—and digitally influenced—sales potential should be assessed at the product level. These estimates should be compared with observed internal trends and competitive performance.
- For cost reduction, administrative and operational processes should be assessed for automation potential. Distribution should be “rightsized” (i.e. optimal combination of offshore and onshore resources) to reflect the Digital sales growth.
- The final estimated impact should be converted into a set of digital targets/KPIs. These metrics should be continuously monitored and managed to drive value capture.

2 Prioritize

- With limited resources, we should always prioritize opportunities. In fact, most organizations don’t have the resources, ability, or risk tolerance to execute on more than 3 big opportunities at a given time.
- Prioritize those initiatives that are likely to deliver the greatest return on investment and the best customer outcomes.
- Keep in mind that Digital initiatives require a lot of experimentation to fine tune.

Lastly, we must align the business portfolio to the Digital organization

Digital Transformation Opportunity Assessment – Steps (2 of 2)

3 Take an End-to-End View

- Processes that are partially digitized—likewise partially manual—are prone to inconsistencies and issues.
- Overinvestment in a sophisticated front end that is not matched with the corresponding fulfillment that customers now expect may lead to increased customer dissatisfaction.

4 Align the Business Portfolio Appropriately

- The final step is to ensure your business portfolio has been aligned to the Digital Transformation.
- In the long run, many business units may be destroyed by the emerging Digital changes. There is no point to hang out to those failing businesses. We need to act purposefully and divest where it make sense.
- On the other hand, some areas will require new capabilities and assets, which we may not have the luxury to build up organically over time. In such cases, we should go out and acquire these capabilities and assets.

It is critical to accurately assess our organization's value at stake, so that Digital investments made are proportional to the opportunity size and risks involved.

