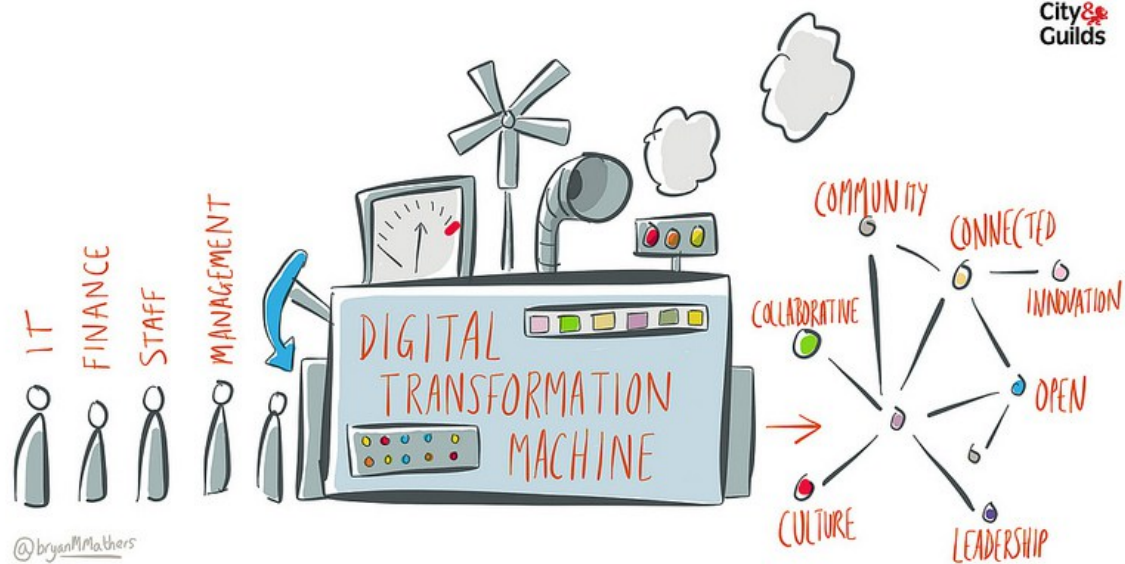


# Business, Strategy, Technology

## Digital Transformation: What, Why And How

May 1, 2015 | Anastasia | [3 Comments](#)



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In this article, we dive deep in the topic of Digital Transformation and explore this topic within four parts: 1) **What is Digital Transformation**, 2) **Development Process, Catalysts and Inhibitors of Digital Transformation**, 3) **How is Digital Transformation taking place**, and 4) **Examples of Digital Transformation**.

## WHAT IS DIGITAL TRANSFORMATION

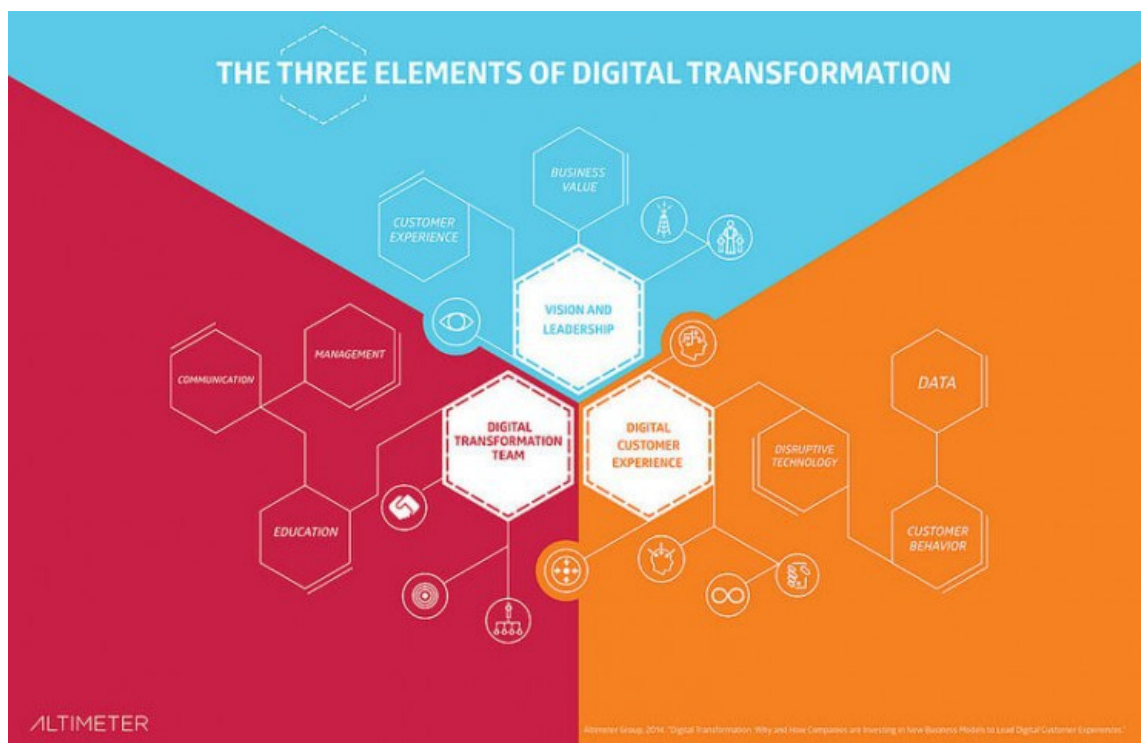
### Digital Transformation: A definition

**Digital Transformation** is a term that is used to refer to those changes that are linked to the application and use of digital technology in every aspect of human society and living. **Digital Transformation** is the third stage or step in the process of embracing technologies, the first being digital competence and the second being digital literacy. If this term had to be described even briefly, then 'going paperless' would be the easiest definition.

The process of digital transformation not just affects businesses but also many other segments of society including art, science, mass communication, government, and education.

### The Key Elements of Digital Transformation

There is a total of three core or key elements that contribute towards successful starting and development of the process of digital transformation, and they are given below.



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- 1. Vision and leadership –**  
Digital transformation has still not been identified as a formal effort by most businesses and thus businesses need proper vision and leadership to get this process into motion.
- 2. Digital customer experience –**  
This element is not related to guesswork but is rather about the research of customer behavior, personality, and expectations. Digital transformation can only take place when one is armed with this information.
- 3. The Digital Transformation team –** Organizations create special teams to start bringing the process of digital transformation into motion. These teams are often called digital circles and rapid innovation teams, etc.

## Digital Transformation Statistics

There are several facts and statistics about Digital

Transformation and its importance for modern companies. Some of the statistics are below:

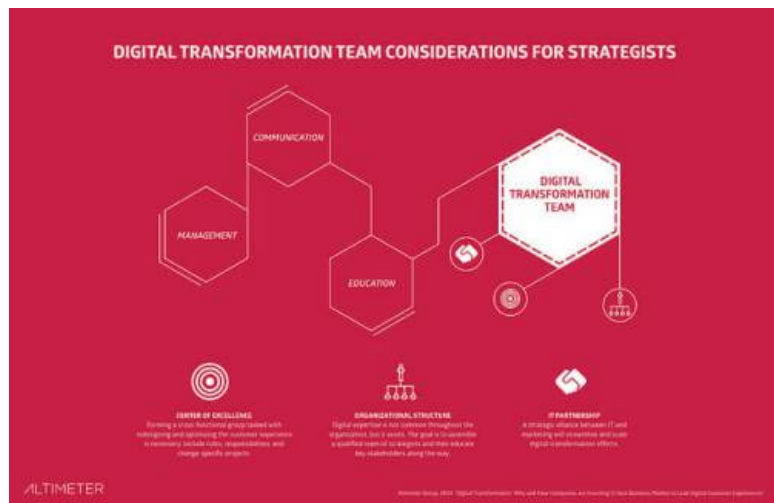


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- In the year 2014, about 88% of digital strategists and executives stated that their business or company was going through a formal digital transformation effort.
- Only about 25% of these businesses through had planned out a digital customer journey as a part of the digital transformation process.
- Also, about 90% of the businesses lacked needed and suitable digital skills.
- About 42% of the strategists were found to state that they have not done a research on the customer journey but were making an investment in new digital channels and methods.
- Now, about 17% of the digital leaders are in the process of studying the digital customer journey.
- About 27% of the senior executives of firms believe that using digital transformation is not a choice but a matter of survival.
- The amount of data that is now being stored digitally keeps doubling every 18 months.
- Only one out of three marketers thinks and believes that their business is very proficient in digital marketing.
- By 2015, about 90% of jobs will need information and communication technology-related skills
- A whopping 93% of marketers are now making use of social media for enhancing their image, selling products and getting in touch with customers.
- It is a fact that 62% people across the world are more likely to engage with brands that club social media content into their properties.



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70+ Digital Transformation Statistics from SantokuPartners

## DIGITAL TRANSFORMATION: DEVELOPMENT PROCESS, CATALYSTS, AND INHIBITORS

### The Journey to Digital Transformation in Three Steps

1. **Digitally reactive** -This step is about the tactical delivery of digital and the model that is the core system of any online business.

2. **Digitally strategic** – This is a much bigger step and makes use of digital from the starting. It makes use of things like **big data** and the services and products sold remain the same while changes are long lasting.
3. **Digitally transformational** – This step is the innovation of business that allows one to understand how much technology can allow you to do. This step if implemented properly can help businesses stay relevant.

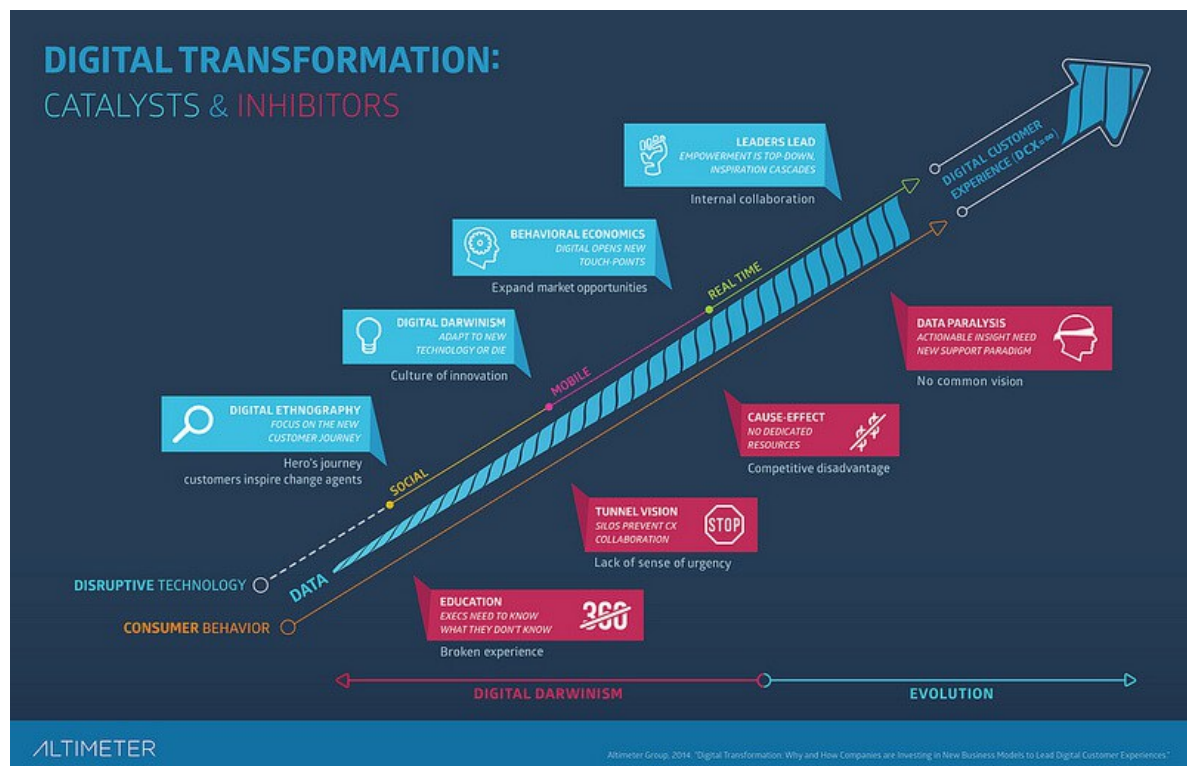
## Catalysts and Inhibitors

### Catalysts:

- **Digital Ethnography** - This is one catalyst that enables one to focus on the new customer journey and, therefore, promotes the process of digital transformation.
- **Digital Darwinism** - This catalyst means that companies now have no option but to adapt to new technology and digital channels.
- **Behavioral economics** – This catalyst means that digital methods tend to open up newer touch points for businesses these days, thereby enhancing profits and reaching goals.
- **Leaders Lead** – This is yet another catalyst that says that empowerment top-down and when clubbed with internal collaboration can help the process of digital transformation

### Inhibitors:

- **Education** – Without proper knowledge and education among executives and workers, no company can successfully work its way towards digital transformation. Thus the lack of it can prove to be an inhibitor.
- **Tunnel vision** – Having a restricted vision can also be an inhibitor to development and growth and all executives, especially the senior ones need to have a proper and open vision.
- **Cause-effect** – Most businesses do not have any dedicated resources for spending on technology, and this is a major inhibitor on the path of digital changes or transformation. Without investing a good deal of money on a change as big as digital transformation, a firm cannot expect to grow.
- **Data paralysis** – With the lack of data and insight on a number of matters, firms fail to work together as a collaborated effort. An actionable insight is needed along with a common vision across all levels of a business.



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## WHY DIGITAL TRANSFORMATION IS SO IMPORTANT

## Importance and Benefits of Digital Transformation

According to a recent study conducted by a specialist research company called Altimeter group, the companies and businesses which invested in new people, processes and technologies to compete in the digital markets saw much greater profits and market share. This report was conducted and published to enable digital strategists to plan their next steps for investments in this area. This report points out to the top 5 benefits or points of importance of Digital Transformation. These are performance orientated benefits and show that digital transformation is proven to increase productivity and helps companies enhance customer experience.

1. **Lift in customer engagement (75%)** – One of the first and most important benefits of Digital Transformation is that it leads to a great lift in customer engagement and experience. Through online channels and communication with customers, any business can get closer to what the customers think, want and how their decisions are influenced. By using digital channels, companies tend to make processes of sales and marketing more web-based which directly puts them in contact with their customers, making them real all of a sudden.
2. **Improved customer satisfaction (63%)** – With the world getting more and more inclined towards using technology, not just for searching and educating themselves but also comparing products and services, it is only natural that a business that is more digitally inclined will be better appreciated. By transforming business activities through digital channels, a business can attain what most are always in the pursuit of customer satisfaction. Only with customer satisfaction can a business retain important consumers and move towards better profitability, thus reaching their ultimate goal.
3. **Higher digital traffic (53%)** – As you move your business and its activities to digital channels, you will observe that a lot of your clients and customers too would start responding to you on these channels. For example, if you run a website for your business, showcasing its products and services, you will observe a higher digital traffic and response rate. Most consumers look online for desired products and services, and digital transformation holds the key to attracting and retain new and existing customers respectively.
4. **Increased Lead Generation (49%)** – Another very significant benefit of Digital transformation is an increase in [Lead Generation](#). Lead Generation is a term used to refer to the generation of consumer or customer interest and inquiry into the products and services of a business. As you introduce yourself to digital mediums, number of people and a larger percentage of the target audience would be able to reach you, and a greater degree of interest would be generated. It is a fact that lead generation is an important aspect for all businesses and can lead eventually to greater profits. Thus, this gives you another reason to adopt the Digital Transformation concept and apply it more religiously.
5. **Greater conversions (46%)** – Have you ever noticed that a lot of customers may approach you, and only a small percentage of them may purchase your services or products? This simply means that the conversion rate of your consumers is low. But by adopting Digital transformation, this rate can go up, thereby leading to more sales and hence more profit. Digital transformation enables you to market your products to a greater audience and retain their interest through several methods. This thereby leads to a greater conversion.

## HOW IS DIGITAL TRANSFORMATION TAKING PLACE

### How to Transform Three Key Areas

#### 1. Transformation of Customer Experience

In order for Digital transformation to [take place](#), it is very important to transform the whole customer experience. For this purpose, businesses have started to take advantage of previous investment in systems to understand market segments and specific demographics better. Some ways in which businesses are transforming customer experiences include:

- Exploration of social media to understand customer de-satisfaction and satisfaction.
- Promotion of brands through digital media
- Building of new online communities to build loyalty with clients.
- Building products that improve branding in lifestyle communities.

- Building analytic capabilities to get to know customers more in detail.
- Usage of technology to improve in-person sales communication.
- Integration of customer purchase data to offer better and personalized sales and customers services.
- Service companies now offer self-service through digital tools
- Usage of mobile apps

## 2. Transformation of Operational Processes

The transformation of the internal process or operational processes of a business is also very important, although the change in customer experience may seem more exciting.

- **Process Digitization:** Some businesses now are going beyond the method of automation to enable themselves to refocus on more strategic tasks. Many new types of technologies are continuing this trend of getting benefits beyond efficiency because going digital often reduces the need for shipping physical prototypes in both directions, thus reducing the lifecycle of product development by about 30%.
- **Worker enablement:** With the increasing use of collaboration tools, email and video conferencing etc., employees can now contact with clients and customers who they have never met or in areas they never visit. Digital transformation replaces one-way communication mediums to broad communication methods as it has many tools that can virtualize individual work.
- **Performance management:** Digital transactional systems offer business executives more knowledge of regions, customers and products thus making it possible to make decisions on real data and not just assumptions. Managers can now compare status across several sites and adjust product manufacturing capacity.

## 3. Transformation of Business Models

Besides transformation of operational processes and customer experiences, Digital Transformation is also about the transformation of business models. Companies are now finding ways to club physical and digital offerings and using digital methods to share information across company silos. They are now building service wrappers on traditional products and using others ways to bring about major changes in their business schemes. It won't be wrong to say that a digital globalization is taking place in the world as when digital technology is clubbed with integrated information, global synergies are gained. Global shared services make way for better flexibility and reduce risk.

As far as local managers are concerned, the concept of digital transformation works beautifully. For them, the difficulty of centralization is balanced by efficiency benefits and capability to concentrate more on strategic activities. With the means of centralized data, now the local managers can get a broader view of the business.

### How Can You Make your Digital Journey More Successful?

In order to make your digital transformation journey more successful, an iterative three-step process can be followed. This process is:

#### Step 1. Incorporate the digital future in the vision of your company

Most of the digital transformation efforts fail because their vision is not at all transformative. The real transformation cannot take place at the bottom but has to take place at the top. One has to see across silos to see the real value of transformation. Companies have to identify and diagnose the strategic assets which include:

- Sales force
- Point of sale and [distribution channels](#)
- Product and content
- Product innovation
- Customer knowledge
- Culture

- Partnership network
- [Brand](#)

Successful digital transformation takes place when one envisions new ways which digital technology enhances customer and performance satisfaction. But one must not just focus on technology but rather on different methods of using it.

## Step 2. Make investments in digital initiatives and Skills

There can be no digital transformation without investment. But it is very necessary to identify the need for managing risk; investment and making required changes for capitalizing on the change. The first step in this process is to find the right skills and invest in them. Yes, finding right skills is a big challenge, but companies must remember that it is often better and simpler to hire vendors than to hire people with right skills. But the coordination of these vendors then becomes highly important. To jumpstart the change, outsiders can be helpful but even insiders can do a good job. Some companies believe that using senior insiders in roles that require coordination is very helpful. But, on the other hand, some companies also found that it was easier to move junior level good employees in roles that required energy and enthusiasm.

## Step 3. Change the vision from the top

If the vision of the top level executives of a firm is not reinforced through communication and action, then it will not translate to local level action. The change has to be led from the top, and this requires right incentives, right coordination, consistent engagement and [KPIs](#).

Communication holds the key to reducing the resistance of an organization and for bringing about effective change. People, as compared to any technology are a much bigger issue in reaching successful transformation. This is why it is important to communicate digital vision from the very top and at the very beginning itself. This will keep the entire organization engaged and in the loop. Use emails, social networking tools and video conferencing to make this possible rather than using traditional tools. The right kind of leadership and governance too forms an important part of this process because, without it, the ambition cannot be put into working motion. Once the goal has been communicated, the leader must then explain a set of ambitions and goals for executives to reach. Now KPIs must be used to constantly monitor progress. A transparent set of metrics help to monitor actions and thus makes it easier to reach goals.

## EXAMPLES OF DIGITAL TRANSFORMATION

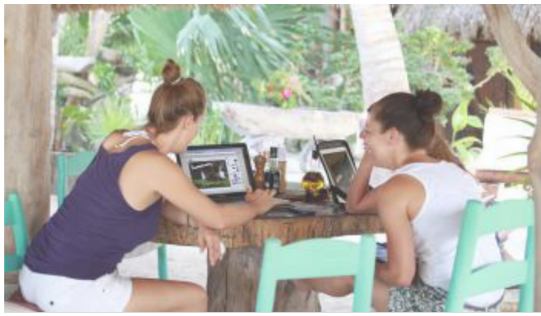
One of the best examples of a company that embraced and created magic with digital transformation is Starbucks. Not only has this company managed to engage customers through social media but also bridged the online and offline customer experience.

Another good example is Nespresso, which engages customers via its website, through mobile, at airport vending machines, and this has helped it to get better sales productivity and greater penetration into new markets.

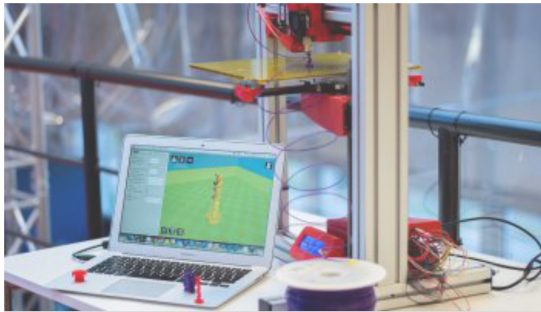
Some other beautiful examples of businesses using digital transformation to its best include Marriott, T-Mobile US, and many others.

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## Comments

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Gabriella Kindert says  
May 2, 2015 at 5:47 pm

Good summary of the actual reality; it all starts with the top. Not many executives master the connection between marketing, technology, content and data.

[Reply](#)

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Barney says  
July 19, 2016 at 8:04 am

Great article! But... what about transformation from physical products to digital products? 🤖

[Reply](#)



Jason Curry says

August 27, 2015 at 6:56 pm

The catalyst and inhibitors piece to this article is very well written, as well as the whole article in and of itself. How much would attribute digital marketing and or categorize digital strategy vs. digital marketing into the digital transformation context? It seems like much of these new terms anymore are semantically and process wise, very relevant, however contextually different.

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