

Reaping the rewards of digital change

Five steps to becoming
a digital business



eBook

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STEP 1

Understand what it means to be a digital business

We're living in a digital age and the products and services we interact with are increasingly becoming digital. But what does that really mean, and how can an existing business join this digital revolution?

The pandemic has seen businesses that have already made digital investments thrive. This is most evident in businesses that facilitate home working, such as Zoom, or those that ship products to people at home, such as Amazon.



At the other end of the scale, we've seen the acceleration of businesses adopting digital strategies across a wide range of sectors as they have been forced to adapt to new ways of working. Organisations in sectors that have effectively had to shut down during the pandemic, such as hospitality and travel, are also thinking about how they can reinvent themselves as digital businesses to improve their agility.

How to define a digital business:

- ***A digital business relies heavily on data to inform decision-making. This is facilitated by the reliance of modern digital infrastructure.***
- ***A digital business uses applications to drive efficiency and agility through automation, create better customer experiences and improve productivity.***
- ***A digital business may also create its own digital products and services.***

Importantly, digital transformation is not exclusive to large enterprises or new technology companies. Any business of any size can find opportunities for digital innovation and in an increasingly competitive business environment, those that don't know how to start or progress their digital transformation journeys risk being left behind.

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STEP 2

Identify your transformation goals

Any business beginning a digital transformation initiative needs to understand its key goals. What needs to be achieved through the project? It's important to understand the key factors of digital transformation and what they mean to businesses in order to recognise the right outcome.

Customer Experience

Great customer experience is about making it as easy as possible for customers to interact with your business, whether that's through general use of the product or service, or how users answer queries and resolve issues.



Customer experience should provide consistency and reliability, improving customer satisfaction, facilitating more engagement with your product or service, and protecting and growing customer loyalty.

Operational Transformation

Operational transformation means mapping out business processes and finding opportunities for improvement using digital technologies. Businesses undergoing digital transformation are applying technologies such as automation to operational processes to facilitate more seamless and efficient operations.

Automating repetitive and menial tasks can save time and improve efficiency while allowing the workforce to apply their skills to more important tasks. It can benefit customers who can interact receive your product or service faster while saving the business money.

Operational transformation can also improve environmental credentials through the efficiency gains in your business processes.

Employee Productivity

Every business will want to ensure it is getting the best possible productivity from its people. A key factor of any digital transformation journey should be implementing technologies that help to keep employees happy and engaged.

The pandemic has highlighted how digital transformation can improve productivity with 63% of organisations worldwide experiencing a productivity increase in 2020 as employees worked remotely through digital means.

Digital Products

We all engage with digital products such as Gmail, Dropbox and Netflix every day, but you don't have to produce digital products to become a digital business. We explored the Rolls Royce digital business model in the previous section and this is a prime example of a business that continues to produce physical products by building a digital service around them.

Data is the lifeblood of the digital economy

Data is essential to achieving any digital transformation goal. A digital transformation journey should begin by analysing business-critical data from existing systems and understanding where improvements can be made by introducing new digital technologies. The data from those technologies will be equally important to driving intelligent decision-making and understanding where further refinements can be made. Good data quality and governance are essential to making any digital transformation project a success.

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STEP 3

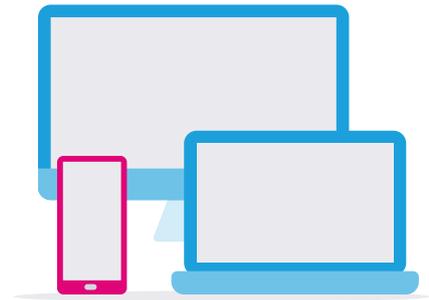
Understand how to monetise your digital product or service

There are a wide variety of different digital business models. Some of the world's most successful organisations have refined their own digital business model and lead in that space while other businesses replicate them.

Some of these are digital native businesses, meaning they were founded in the digital age and have been built on monetizing a digital product or service offering. Other businesses have been around a lot longer but have at some point pivoted to become digital businesses.

Business model: Digital products

Amazon is unquestionably a leader in digital products, from digitising books and building the digital infrastructure to deliver their products worldwide, to providing on-demand entertainment and cloud computing platforms.



Business model: Digital ecosystem

Apple created its own digital ecosystem of interconnected devices and digital services that keep users willingly locked in and loyal to the brand.

Business model: Subscription

Netflix began as a subscription service that mailed DVDs to customers. It has pivoted digitally to a subscription streaming model providing users with movies and TV shows on-demand for an affordable monthly fee.

Business model: Freemium

Dropbox operates a freemium business model whereby it provides access to its basic services free-of-charge but offers a range of additional premium features at a cost to the user.

Business model: On-demand

Deliveroo leverages its digital technology to enable users to have meals delivered to their homes on-demand. This also crosses over with the Shared Economy business model where the physical service is provided by a network of other parties (restaurants, delivery drivers) using the organization's digital platform. Uber is another example of a company using these two business models.

Business model: Free (you are the product)

Google provides a vast range of free online services with excellent features. The catch is that they collect and use data based on their users' activity with their consent.

Business model: Marketplace

eBay gave the world its first real online marketplace for trading all manner of goods with users all over the planet. Before eBay, the closest thing the world had was local free ads.

Business model: Digital service

Rolls Royce may have been founded in 1906 but it has developed one of the most progressive business models in the world for the turbine engines it supplies to aircraft manufacturers. Its customers no longer pay for the engines but for the flight hours, allowing smaller airlines to afford the best-in-class engines and opening up a new customer segment for the Rolls Royce. The engine is still property of Rolls Royce and the price includes proactive maintenance and repair through real time monitoring of the product.

There are clearly many different ways to exploit digital technology to build new opportunities and these are just a few inspirational examples. As the shift to digital accelerates, we could begin to see even greater success stories using entirely new models.

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STEP 4

Understand and mitigate barriers and concerns

While some organisations are thriving through their digital prowess, there is a clear digital divide in the UK. Smaller or older businesses with less know-how can come up against various barriers and concerns that prevent them from improving competitiveness and closing the digital divide.

Barriers:

Digital vision and leadership

A digital business requires strong leadership that has a clear vision of the direction the business needs to take. Research shows 80% of executives think that their business models are at risk, and those that can envision a clear path forward will drive their companies to success.



Action: Ensure business objectives are aligned with your IT strategy and identify who will lead your digital transformation. Ensure a clear vision is defined and obtain support from the C-level to drive digital change through the business.

Access to the right technical skills

Digital transformation relies on the business having the right skills in place. However, the UK is facing a digital skills gap meaning it can be challenging to find the right talent with the best people tending to gravitate towards the most exciting opportunities.

Action: Assess the current capabilities in your organisation to ascertain if the team has the skills needed to support transformation. If talent is not readily available, identify a strategic partner that can fill any gaps.

Legacy systems

The data that is essential to transformation can be hard to access in legacy business systems. Once it is accessible, that data often requires cleansing to ensure it provides useful, accurate information to help inform the transformation journey.

*Action: **Identify the data you need to support your transformation and what is required to ensure it can be effectively optimised, enriched and exploited. Enlist external expertise to help access and cleanse that data if it is beyond your capability.***

Last mile connectivity

End users can require a lot of bandwidth to get the best use out of the digital applications businesses create, but the UK has lagged behind other nations with the roll out of high speed fibre connectivity. However, the roll out of 5G and full fibre connectivity are both rolling out relatively quickly which will help to enable greater digital innovation for wide audiences more cost-effectively.

*Action: **Look for an infrastructure partner that can provide a low latency connection to a trusted IT ecosystem to deliver last mile connectivity, regardless of location. Consider factors such as data centre locations, network performance, connectivity, reliability, scalability and security.***

Organisation model

It's common for mid-to-large sized organisations that recognise the need to for transformation to set up an innovation unit that is separate from the rest of the business. This can be problematic because it makes it challenging to integrate the innovation unit with the part of the business that is still functioning in its traditional way. This is where smaller sized businesses can have an advantage because it can be faster and less complex to change the business model.

*Action: **Remove any silos by involving multiple stakeholders from across the organisation in your transformation and encourage cross-team collaboration. Getting buy-in and engagement from across the business at the beginning of the project will help ensure your organisation's culture and structure enables digital change.***

Concerns:

Unknown costs and ROI

Demonstrating ROI and sharing an understanding of costs can be difficult when there are business owners or investors involved in the decision-making process.



*Action: **Communicate the business case for the technologies you want to implement as clearly as possible, including why the investment is necessary and how each of the technologies will help to meet business objectives.***

Complexity

The sheer complexity of a transformation project can be overwhelming, especially for businesses that don't have a good understanding of digital technology and lack the internal skills to implement it.

*Action: **Engage with a partner that has experience and expertise in delivering successful, complex transformation projects and consult with them at every step of the journey.***

Security

In an age where cyber security threats are continually escalating, pivoting to a digital business model can be seen as widening the attack surface for cyber criminals targeting the business.

*Action: **Embrace a security by design approach to ensure security is a core focus for every stakeholder at every stage. Where necessary, provide cyber security training or work with a partner with cyber security expertise to ensure this is instilled across teams and any potential risks are identified and mitigated.***

Today's leading digital businesses will have come up against the same barriers and concerns. For many businesses it can be a steep learning curve, but this shouldn't prevent them from beginning their digital transformation journeys. Where knowledge and know-how are lacking, it pays to enlist external expertise. In the long run, this will pay dividends by placing the business on the right side of the digital divide rather than struggling to close the gap.

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STEP 5

Implement best practice

One of the benefits of the sheer volume of businesses that have already been through transformation is the learnings we can take from their experiences, such as best practice guidelines. These are the most important best practices any business should follow when approaching a transformation journey:

Vision and strategy

A successful digital business needs to be clear on its vision. It's important to remember the possibilities are almost endless with digital technology so it pays to be imaginative and ambitious when re-imagining the business model.



Stakeholder engagement

Transformation cannot be successful unless every stakeholder is onboard with the vision and aligned with the strategy. It helps to overcommunicate that the business is not working on a technology project and that it is a business-change project.

Customer-centric thinking

The overall purpose of digital transformation is to serve the customer in the best possible way, so every person involved at every stage of the project should be thinking through the lens of the customer or end user. This thinking should be at the core of all product plans and roadmaps.

Establishing digital architecture

Businesses can either buy or build their digital platform that stores their data and runs their code in the best possible way. The platform should store and exploit mission-critical structured and unstructured data in a range of different ways, support applications that can be scaled and delivered in a modular way, and enable programmatic integration of the new platform with legacy data.

Establishing delivery capability

Doing product or service delivery well comes down to finding the right balance between relying upon in-house teams and value-adding partners. Given the UK's digital skills gap, a partner can provide the technical know-how and execution while the in-house team should own the vision, drive the requirements and measure the outcomes. This approach will be more economically viable in the long run.

There are plenty of third party solutions from cloud and software-as-a-services (SaaS) providers that can allow developers to build digital transformation toolkits from these pre-built components. These can be essential to delivering both speed and innovation in any transformation project.

CONCLUSION

Reap the rewards of digital change

Digital transformation is essential in protecting any business against a growing raft of competitive threats. Those that don't want to end up on the wrong side of the digital divide need to consider how to start their transformation journey sooner rather than later.

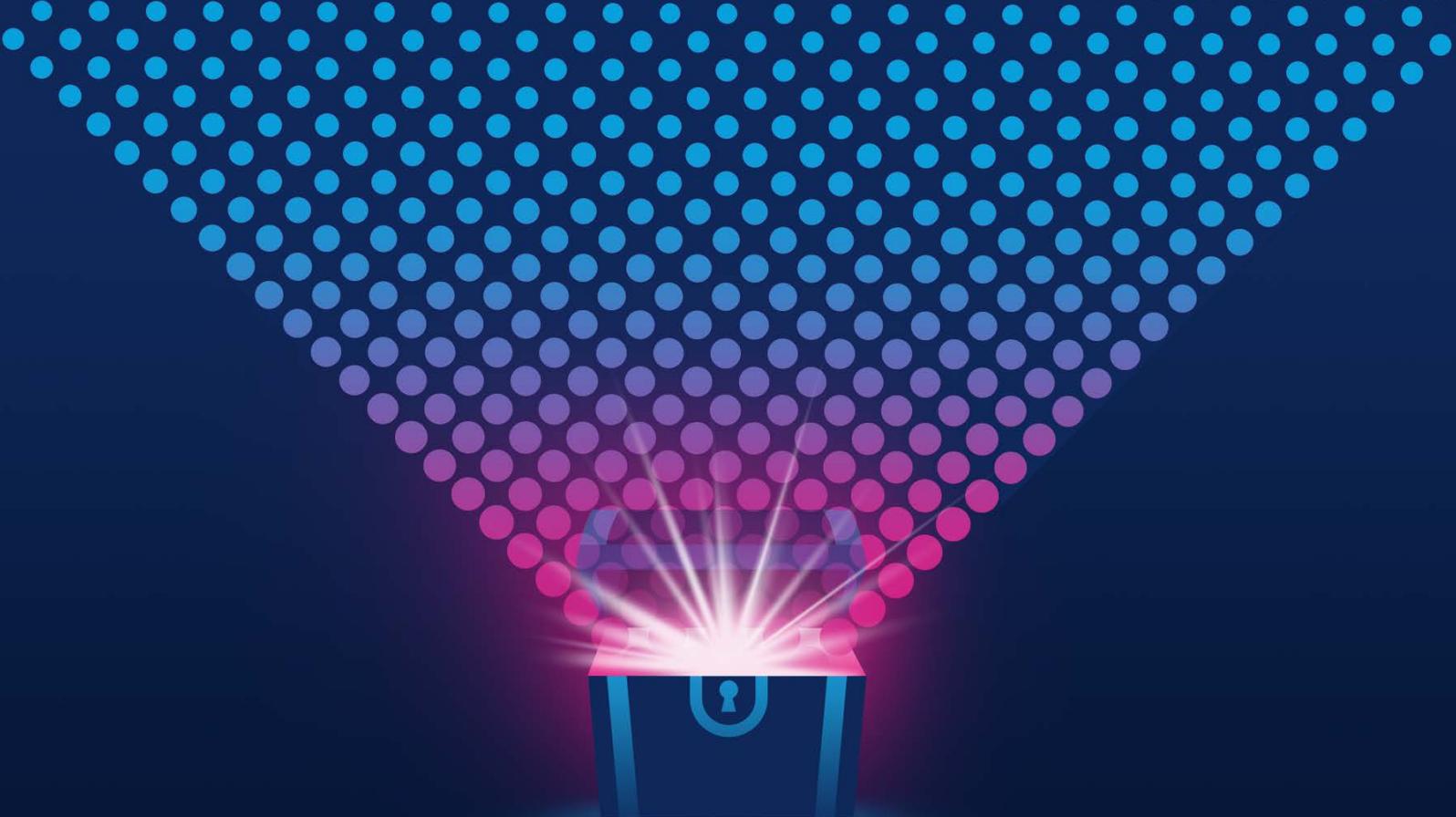
While digital transformation can seem complex, it doesn't require a business to build and engineer its own tools and technologies. The industry leaders may have the money and resource to do this, but a smaller business that lacks those advantages shouldn't consider itself excluded from the digital revolution.

It's also not necessarily about coming up with your own unique digital business model. Any company can replicate the business model of a leading digital organisation and learn from that organisation's accomplishments.

Strong leadership, an understanding of the existing digital economy and a clear vision of how your digital business will benefit the customer are all essential factors. Finding and even retaining the right digital skills is a challenge that can be easily overcome by working with a value-adding partner that provides the technical expertise and capabilities that will drive your business forward.

**Speak to an expert today to discuss
your digital transformation goals
and how Pulsant can assist your
business on its journey.**

Call **0345 119 9900**
or email **sales@pulsant.com**
pulsant.com



Visit us at pulsant.com or call 0345 119 9911