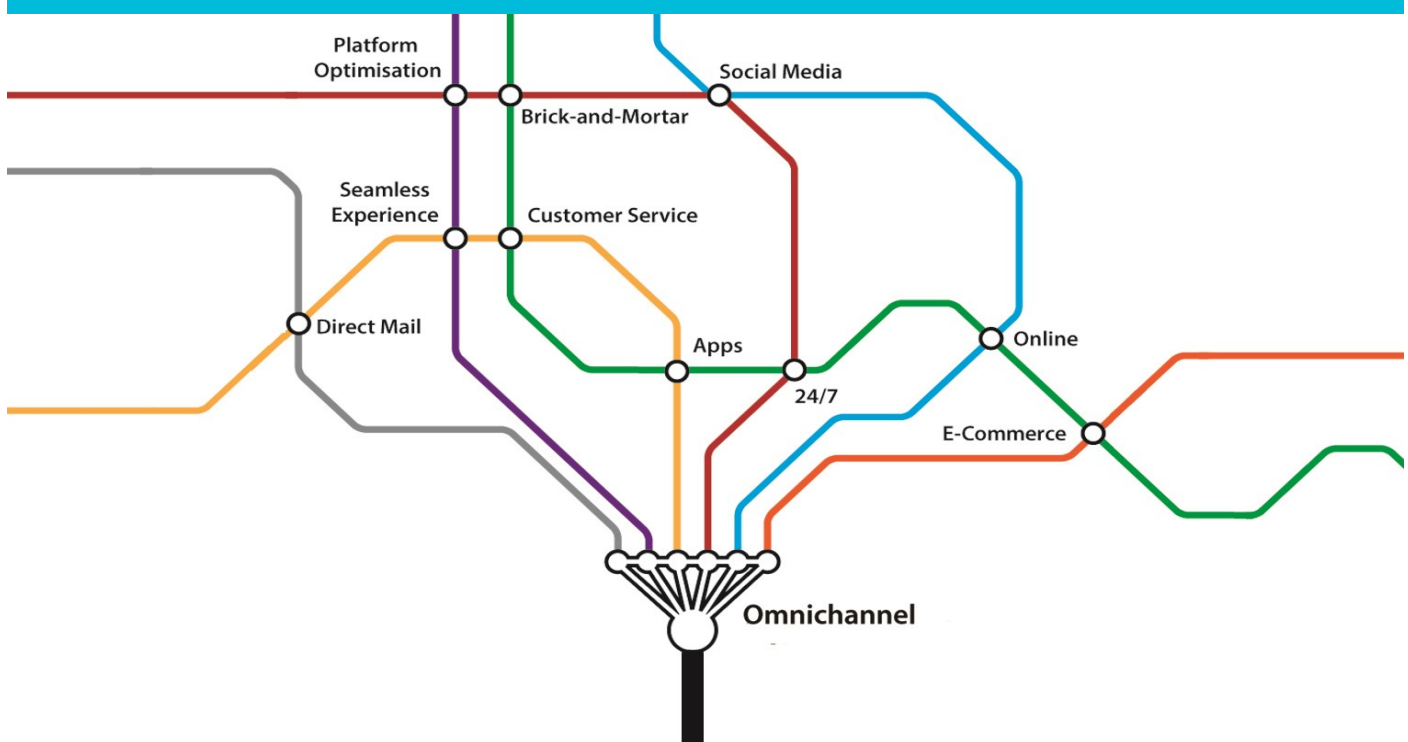


Digital is easy?

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Introduction

New digital technologies like social media, mobile, cloud and analytics are rapidly changing the face of our economic landscape. Business leaders worldwide are focussing on the use of digital technologies to expand the reach of their enterprises, enhance their performance and have started their own digital journey.

However, it's not just simply a case of plugging in some new channels, doing a bit of social integration and off you go. Legacy IT systems, existing processes, prevailing culture and the ability to execute prove to be major challenges for many organisations in their digital transformation journey. In a number of cases they have even turned out to be the reason of failure.

What is digital?

Many people have had a go at defining it and to us the key is to understand that digital is not just about front end channels, it's not simply about process automation or data management. A digital company has an ecosystem that works together across front and back end systems, business operations and employed skills. Trying to change one in isolation will not "enable" the digital business that Gartner and others are saying is critical to do business by 2018.

Digital is a major transformation for any business, one where the culture needs to match the strategy, as much as the back office needs to work in tandem with the front office. As Peter Druker puts it "culture eats strategy for breakfast" and in a similar way "the front office often eats the back office for breakfast", if we don't design and manage the technology stack front to back.

So if you want to be successful there are four key areas to address:

1. **Legacy IT systems:** legacy IT system transformation and the interfaces into them

2. **Operational change:** business transformation and process change
3. **Culture:** organisational wide cultural change
4. **Execution:** governance; compliance; and programme and project management

Which bit of digital?

Just remember, "digital" is being used to describe many things and many components. We've been here before as an industry, we still talk to people who need the "cloud" as they put it, which bit, what kind, what for? We still talk to clients who need "Big Data", which bit and what for, is it analytics you need, and so on. As ever, we are covering a multitude of technologies that deliver to different needs in a simplistic way, which gives the impression digital is a hop, skip and jump away for every organisation. A bit of up front thinking to ensure a coherent digital ecosystem might mean it is, and might ensure the legacy disadvantage is actually one of the biggest advantages you can take into the next era of digital.

Why are people finding it so difficult?

Predictions are wild about how many data and digital projects will fail this year with upper estimates at 75%, the question might be “why so high and how can you avoid being in the majority”? We think this is the wrong question.

The failure rate figure of 70% of all IT projects has been with us for many years, it's simply being applied to the digital world. For once we need to look at failure as something we need to work with in certain areas of digital, after all there is a world of prototyping, split testing, field testing that goes hand in hand with what digital is. Digital also needs a new definition of “success” and “ROI” to really make it work and this is where CIOs and CTOs need to take the lead to truly deliver a digital vision and culture.

It's not all new

One of the main issues we see is organisations believing digital is all about presentation, when in fact the notion of digital brings together a number of legacy products and ways of thinking, along with new technologies and ways of working. We could argue that the concept of what can be achieved has been around for years, spun the truth, sold the products to the business and crossed our fingers.

Let's take data warehousing for instance, it has been sold into retail on the promise that it can provide insight that will pave their corridors with gold, the truth is that digital is the same dream. It's just that technology has caught up with the promise and we can now, as an industry, deliver on the context and personalisation dream which is driven by real time processing. Or take multi-channel, we've been able to use phone, web and even apps for a number of years with a mobile provider, but only now can we see a joined up experience across channels.

In many respects we are evolving the technology to match our original ideas pre digital, but the rate of change is one that means we are also now trying to change our business culture and operations to match the massive leap forward there has been in the last few years.

Don't forget those legacy systems at the business core

So let's talk about those ERP, CRM systems and maybe even a mainframe that is still running your business, and not needed anymore? It seems we are all so excited about appification, gamification, customer context, personalisation etc that we are forgetting that as always, this is driven from the systems that run the business. It's incredibly important to remember the time and effort invested in these systems and to understand how they will become part of the digital ecosystem. This is a step that start ups aren't lumbered with and therefore something that can become a distinct disadvantage if it isn't linked to the business plan.

What it can look like in the real world

One organisation Coeus have worked with had two ERP systems, two CRM platforms and 3 pricing engines, all embedded in the core of their operation. When faced with this, some businesses might simply try to open up new channels without understanding the impact on the back end services, or how digital is about the flexibility and ability to react, as much as having a presence. There is no point in having an app team able to deliver continuous updates, if the underlying data is held in your ERP system which is under a 6 month development cycle. Similarly, what's the point in the best social integration if there are no skills within the business to handle the interaction.



Business strategy and process integration are key

Time and again we see back office platforms not able to handle the new load placed upon them from a digital layer. Customer complaints go up, due to back office processes and existing skills not able to handle the new flood of high volume, low input interactions.

Channel choices then push up costs, due to ineffective channel strategies that haven't driven technology choices. Digital is a business transformation, not a simple bolt on of new age technology. It requires a vision, a strategy and a holistic view of your organisation and its needs, in order to deliver.

Will your culture eat your strategy?

We can't emphasise enough how the culture of an organisation that wishes to become a digital leader, needs to be managed and potentially changed. Your delivery organisations will need to understand delivering in weeks rather than months and years, shifting emphasis from 'every project is a success' to 'some failures' on the journey to something better.

New concepts such as split testing, prototyping, testing with consumers, could all potentially be needed and that fundamentally changes how delivery is shaped and managed, not everyone will be able to work in a new way. Your culture within your core business operations may also need significant change, moving from a B2B to a B2C model can be problematic. Success, ROI, SLAs and more all need redefinition in a digital organisation. They should all become specific to that organisation to fit the strategy and drive the underlying culture.

Execution can be confusing

We have worked with a number of organisations who "have a problem with digital" - they are actually suffering from programme and project failures that would be common to us all from the pre-digital era. Digital encompasses so much, that it can be hard to find where the problems are and what needs to be done.

We have seen focus then quickly head towards the new technology, leading to a vicious cycle of never getting to the route cause and gradually backing away and de-scoping from the original intent. Ultimately, this can lead to only partial delivery of the business case, as trust starts to waiver in delivery and business direction.



There are some fantastic successes in digital

So we've painted a picture of a transformation full of pitfalls and risks, but to counter that you need to look at the potential rewards. Industry can be broadly categorised into those businesses that are doing digital and those that will.

We think you can add to that: those that have been doing it for years. You need to know which you are before you put a strategy together. Only then, can you understand what the execution of the strategy is going to look like. If you are in a market where digital will be at the core of your business, then you need to know who you are and where you are, before executing, as well as what you want to be. Failure in delivering on a digital strategy could end up setting your business back for years to come.

How others are building their digital business

If we look at some of the successes of digital it's obvious great value is there for the taking:

- Bookmaker, Paddy Power, displayed how it has transformed itself from owning a host of local gambling organisations to becoming a successful international gaming platform. Whilst rivals, who were rooted in old business models have, or are in the process of shutting their doors.
- Tesco leveraged digital in order to surpass the expectations of its customers by providing a new iPhone barcode scanning app. It is a great example of a brand that is stretching the use of technologies, to provide greater utility to customers than even they might expect.
- In the UK, aggregators such as comparethemarket.com and moneysupermarket.com have made shopping online for highly regulated services simple and effective.





Profile: Global Consumer Products

Due to a desire to get further insight into the consumers buying its product and to understand how to drive higher revenues, this organisation decided to review how it managed both B2B and B2C interactions, across both existing and potential new channels.

New product launches and a new direction of direct consumer interaction meant a decision was required around how to provide contact and manage both customer and consumer data, both keeping it safe and using it for further insight into its business.

Approach

Using its past experience, Coeus was asked to support the initial steps towards a full end to end digital strategy and define the steps required to become a digital, Omni Channel, B2B2C business by:

- Refining the channel strategy to ensure segmentation and total cost of contact was taken into account
- Defining the high level solution map for ensuring a single customer view across all channels; the technology choices to manage each channel; and the integration and data design to ensure the back office legacy ERP systems worked in conjunction with new CRM and customer management solutions
- Providing analysis of current market trends within their sector and technology trends that needed to be investigated

- Understanding current business process and how they would need to change to support the new interaction model
- Highlighting areas of the business that needed a new focus and change in culture to support a more consumer oriented operation

Deliverables

Working with the client, Coeus developed the following:

- Business wide architectural approach
- Assessment of current technology suppliers to underpin the architectural approach and recommendations of products
- 3 and 5 year outlook on trends in the market, what to watch in the short, medium and long term
- Cost analysis per contact type to drive channel shift strategy
- 3 year map of required activities to deliver against the digital strategy

Outcomes

Critically Coeus ensured:

- Current costs and contracts were understood to understand break points for delivery of new technology, in effect defining the end to end programme timeline
- Brought forward the start of the project by over 12 months, due to the significant business change identified, to ensure the company could compete and hit its targets

So is digital easy?

Our thoughts are that it doesn't have to be hard, but you need to know where to focus your energy. The technology isn't as new as we like to think, the failures in delivery are common failures we have been seeing for many years. Sure there are certain changes that need thinking about, how the front end, back end and data design hold together as one, whether you use legacy systems, or a greenfield build, is all critical to being able to leverage the technology and get true business benefit.

But crucially, our experience shows that what will make or break digital within a business, is whether it is treated as a core transformation with the necessary changes in culture and business processes that will support the entire organisation. Digital is not something that can be simply added on to a business, it is a whole business transformation which is enabled through the use of new technologies.

So it will be easier, as long as you look across all four areas of your digital transformation.

Summary

We can clearly see in our everyday life that digital technologies are enabling the development of new business models and new opportunities for growth, by expanding the total addressable market across existing and new capabilities.

There are major opportunities for organisations that are willing to look at how they do business and how they need to do business in the future. This can be in industries that might not be obvious at first.

As we have discussed, digital is not simply a case of new technologies, major effort is required to:

- Understand the integration of legacy systems, their capacity and how they will need to support new digital technologies
- Define new business processes, how does the organisation support the new way of operating to deliver on the digital dream
- Ensure the company culture will fit the new approach to business, this is not a technology change
- Strong programme and project management is required to ensure execution

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About Coeus

Coeus is an independent IT advisory and consultancy, specialising in strategy, technology, sourcing, transformation and operations.

Supporting some of the largest corporates, financial institutions and most recognised brands in the world we pride ourselves in providing our clients with the very best advice possible.

Our consultants have the right blend of knowledge and experience to help our clients cut through complex technology issues.



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