



**PHILIPS**

# A DECADE OF DIGITAL TRANSFORMATION

**AN INTERVIEW WITH MARCO RONCAGLIO**  
SENIOR DIRECTOR BRAND ACTIVATION, DIGITAL, CRM AT PHILIPS

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# A DECADE OF DIGITAL TRANSFORMATION

Philips has undergone an effective Digital transformation which still today drives measurable business results and was enabled by setting up Agile teams with end to end ownership, progressively bringing agency work on-site and developing an innovative in-house Marketing solution.

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Digital Transformation soon will be celebrating it's 21st birthday, making it a good moment to assess how Digital has transformed multinationals and how it has matured in the past decade. To celebrate this occasion, Xebia has decided to launch a series of interviews with top Digital Transformers in the market to shed light on the practical side of rolling out such transformations in large corporates.

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First in the series is Marco Roncaglio, the global head of Brand Activation and Digital Marketing for Personal Care in Philips – one of the pioneers in Digital Transformation in the Netherlands. Based on his experiences Marco shared his six critical factors for a successful Digital Transformation.

Royal Dutch Philips generated 2019 sales of EUR 19.5 billion and employs approximately 80,000 employees with sales and services in more than 100 countries, and has been one of the ambitious early adopters of digital. The first team to start the adoption was Philips Consumer Lifestyle, at the time one of the three key businesses of Philips next to Philips Healthcare and Philips Lighting. The company was ahead of its time in D2C e-commerce, embracing e-commerce platforms, launching IOT products, understanding the power of consumer reviews & ratings and the importance of data analytics. All of this was realized on a global scale, in a highly diverse local landscapes for a wide range of products in a fierce, competitive environment. Perhaps, one of the possible explanations why Philips was such an early adopter of digital is that it recognized early that focusing on delivering measurable business results such as turnover and market share, along with focusing on that data and data-driven decision making is a strategic competitive advantage and a capability to develop at all levels of organization. According to Marco, he himself was "obsessed" with data and business targets from the very beginning.

Philips developed its digital ambitions gradually and, gradually, made it an integral part of the business. Marco tells Xebia: - "When we started with Digital

Transformation in 2007, we all realized that digital channels had a major role in the customer journey. Most customers already thoroughly investigated and compared our products online. They had often already made their final decision about what to buy before they even entered the store." When Marco and his team started their digital journey, they had no people, no budget, no business urgency and no IT support. "We were small, yet ambitious. We were already aiming for online sales in 2020, direct and indirect, without creating internal or external channel conflicts. But first, we had to prove the case for change, our business case".

Digital Transformation is an organizational change that uses digital technologies and business models to improve business performance (top line and bottom line). According to Marco, the key to a successful Digital Transformation is an artful end-to-end orchestration of the transformation initiative around one governance, one team, and very few, clearly aligned measurable goals. Below we identify and explore what are the aspects such artful orchestration entails, going from the most simple and eventually obvious consideration to the most innovative and brave moves, such as bringing agency work in media and content in house, developing an in-house marketing solution called RTMC ( Real Time Marketing Centre) which was recently (October 2019) recognized by the European Effie organization with an Award.

## Thinking digital is good, doing digital is good, driving business results with digital is even better

According to Marco, the best way to initiate and orchestrate the transformation is by doing, testing, learning and improving. This means not wasting time engaging in long program shaping, feasibility studies and evangelizing to your stakeholders and leadership. It's worth starting relatively small but sizable and showing tangible results where it matters and then to improve and scale. Identifying a crucial business objectives that can be achieved or overachieved with the use of digital, doing whatever it takes to show the end impact on the business to the leadership and effectively communicating them

unlocks the road to many new business opportunities where digital becomes an enabler within the company. Digital, like anything else has to be value driven.

Then, to make real impact, move away from so called pilots. A pilot gives you the right to fail. Take an initiative that is relatively important and too big to fail, put some skin in the game - make sure you get yourself into trouble if the initiative does not work. Roll out based on the potential business impact: e.g. set up a successful digital initiative in business that generates 75% of the revenue and then move on to the next.

In Marco's case, the realization for potential opportunity came when he saw that Philips competitors had lower market share in brick-and-mortar stores but much higher market share in online channels. This was a perfect testing ground to show results in digital and ecommerce, while making a profound strategic impact and driving turnover and profit for the Company.

## The Business needs Digital CORE, Digital needs CORE Business

The digital generation is moving up in the organization. These digital natives will start shaping the new digital future and will radically re-design how companies, channels and customers engage and interact. They are wired in a completely different way, they are very much focused on consumer decision journeys, flows, navigation, scrolling, ecosystem, problem solving and making data-driven decisions. They are used to dealing with omni-dimension complexity.

In many organizations there is a legacy of older leaders and executives born and raised long before the digital generation came about. They have a different mindset and make decisions in a different way. They are used to simplifying customers and channels since "simple" is easy to control - concept so true for the old control and command way of running an organization. When the change comes, people panic and resort to what they have always known best and do what they have always done.



These leaders represent the “core” of the organization in terms of knowledge and experience, but the lack of change makes your company vulnerable to disruption.

“As a company we are still in transition and in between two worlds”, Marco explains. “The digital adopters and digital natives. We need effective orchestrators, those who can speak business, marketing, communication, sales as well as digital, to build a bridge between the digital natives and the pre-digital generation, to build credibility and effective collaboration within the business.”

The digital age added never-ending rapid evolutions and sophistication in anything around for everybody, consumers and companies alike. We need people that understand the sophistication and can master it in a rapidly evolving environment. To master all of this, one of the key success factors is to be much deeper in strategy, planning and data, so as to be able to optimize, adapt and react faster and stay on course.

### **In a digital world IT and the Business must be one**

Although digital transformation may start as a separate unit, close connections to the existing business and IT are critical to turn the transformation into a companywide success. A deep understanding of the current business strategy, internal and external relations, emotions and politics is essential for the digital team in order to avoid ending up working in a silo and being ultimately alienated, but to become part of the business. A successful orchestration entails creating effective interfaces with the important functions in the organization, setting up a multifunctional agile team and protecting it from the rest of the organization to be able to work fast, show quick results and propel the Digital transformation. Marco: “From the very start, a large part of digital team of Philips was part of the business, focusing on delivering better business results and relations for the existing channels and working with the existing marketing & sales organizations. We were fully aware of the impact created by the e-commerce transparency and how that might affect the existing sales relations and negotiations.”

Internally, Digital has an especially big impact on the overall IT landscape. It requires strong collaboration between Digital and IT to blend or connect digital technologies with traditional IT systems and to augment the existing IT landscape. It also requires strong relationships with digital services companies to innovate the current business continuously on a global scale.

“It’s our goal to be highly impactful for the business”, Marco says. “That is why sharing and measuring common targets with IT is essential to drive performance, but also enable a more effective prioritization of the IT roadmap based on business urgency and impact. Digital initiatives can be highly insightful, as digital channels are much more focused on audiences, so they drive self-steering for self-improvement and deliver better business results. This makes a digital – IT relationship a symbiotic one”. One way to do it? Hire couple of resources from your IT internal teams and make it part of the team, sitting and working everyday with Marketing and business. In the same room!

### **Step out from the traditional budgeting process**

“Once budgets are committed around October/November to a traditional yearly budgeting processes, response time becomes a true blockage especially because of the yearly commitments with external parties such as media/ creative agencies, trade, retailers and tech providers. Starting with a detailed business case and working via lengthy, multilevel, multi-regional approval cycles with people who may not yet fully grasp the potential of digital may delay initiatives with up to 12-18 months, making them irrelevant before you even start”, Marco says.

Philips set specific business targets for the digital team and allocated a significant budget upfront to enable the team to move fast and forceful. The digital team knew which business result it had to achieve and could decide the best way to get there and adjust if something didn’t work. It was able to make independent decisions and adjust where necessary, since it had an end-to-end responsibility for the business result. Where needed, business, media, creative and IT initiatives were sponsored by the digital team to accelerate the change.

On the other side it was important to not allocate and commit all the investment upfront with partners and agencies of media channels. This gave us the freedom during the year to take unexpected opportunities or deal efficiently with sudden challenges.



**Marco Roncaglio - Senior Director Brand Activation, Digital, CRM at Philips**

Marco Roncaglio is Senior Director of Brand Activation and Digital at Philips. In the past 10 years he has built a global team of >70 people and integrated digital & traditional marketing /advertising. Together, they have changed the thinking around campaign creation & activation, driving greater sales & much better ROI. Before, Marco has led development of Philips.com, Philips e-commerce, CRM, Search, Social & e-trade. Marco has worked for Apple, Expedia.com, and L’Oreal.





## **Invest in Analytics & Data, but do not wait to have it “All”, to start**

One of the key drivers of the digital transformation is the ability to measure and to prove business impact. The problem is that far too often we obsess about the data that we do not yet have, data we cannot connect directly or immediately see the causal effect.

Data should be implemented bottom up, focusing on the data that can help us in business to make better decisions based on few relevant insights, instead of trying to have all the data at once in the same reporting tool.

We started to measure what we could and invest not only in tech but most importantly we in data mangers and business analysts, in people. People that were focusing on delivering the business results and would find ways to measure, make hypothesis, test and learn, connect data trough assumptions and contribute to delivering the overall business results.

## **Do it Yourself, do it in House. The raise of the E2E on-site Activation capabilities. The Philips RTMC.**

One of the critical components during the last decade was focusing on the required capacity and capabilities to achieve the set vision and the business results.

At the beginning it was clear that speed was the essence, hence we started to ask the external agencies and partners to send us individuals with a specific know how to share, to work alongside with us In-house instead of doing the job for us from their offices. Already in 2010 we started paying people to come to work in our office instead of paying for services at the agency or partners. Having the qualified resources at your disposal to strategize, plan and execute in order to deliver measurable business results fast is a powerful enabler. They deliver the much needed proof points to further accelerate the transformative efforts.

In the context of Philips it was a bold, non-traditional move to use variable marketing funding to invest in talented human resources that are available immediately for use, without going trough a slow, cumbersome hiring processes with all the risks and timelines this process usually entails. It takes 9 months on average from the hiring brief before a person is onboarded, with another 3-6 before he or she starts to perform.

Since 2010 we never stopped bringing increasingly more critical capabilities in house, instead of outsourcing these to the agencies. These were initially in the area of

content/ assets, analytics, web management and since 4-5 years in the area performance media (Social, Programmatic, Search) and in house content adaptation/optimization. We called today RTMC ( Real Time Marketing Center) which is like our agency in-House.

Most of the time we asked agencies to give us the resources that they had, to bring them on our premises and to integrate them into our teams.

That has proven to be a success aligning all individuals around common targets, applying Agile organization and processes, developing a test and learn methodology, instilling a culture of doing whatever it takes to achieve the results., The insights and the learnings stay in house and these best practices can be effectively spread to other areas of the company to deliver even more business results. We managed to increase the ROI significantly, in some cases up to 3 times the initial target.

**Be fully prepared to swim against the current, with the mindset: do whatever it takes to drive the business. Create freedom within a framework**

Philips is a very large organization with a complex governance structure and a comprehensive strategy. A natural question arises - how does one operationalize and scale the needed digital transformative capability? Are there any interdependencies? What is the governance around building the needed capability? Who gets to decide if it's a go or no go and what happens next? What are the obstacles?

Given the size of Philips, the business units responsible for generating revenue are often as large as a stand-alone company with their own strategies and targets. The same goes for the Markets, there are real owners of the A&P investments, with their own strategies, capabilities and targets. Philips is breaking down its business focus breaking its efforts in the so called BMC (business / market combination). An example of such BMC would be Shaving Business in North America or Oral health care in Germany.

This allows to ringfence the operating model within a business unit in each market and focus on driving performance without having to deal with the overall organizational complexity.

Same approach is used to drive the results of a progressive digital transformation.

**Focus on driving the agreed business results:**

We picked a sizable market and sizable business, we teamed up with the local market leader and together we identified a business target to which digital must contribute. By doing so, we kept the focus on the alliance and the in business target we were jointly trying to achieve with the contribution of digital and e-commerce, instead of focusing on the results of digital and digital transformation itself -our north star was and is the business performance: sales, market share, profit and brand value.

**Think ahead of the AOP yearly cycles:**

With Digital technology and the competitive environment requiring responsiveness, integrating the required capabilities into a top-down lengthy AOP planning process can be a challenge. The key to operationalization is to create a short to long term vision (with elements already mentioned) and translate them into a concrete fact-based investment plan so that the much-needed funds were made available.

In Philips' case the strategic alignment happens during the Strategy review / AOP (Annual Operations Planning) process. Between July and October Philips locks down the budgets for the following year, by function, teams and activity. That also drives commitments with agencies, platforms and partners such as media agencies, publishers and networks. By splitting the available budget to different owners with different targets we de facto create a series of static silos that are blocking or slowing down the dynamic testing and learning environment so vital for digital transformations and large innovations. How does one break this cycle? By anticipating the strategic planning well ahead of the AOP process for the year ahead to have the needed budgets fixed during the summer. Once the full budget is secured we have the needed resources for the following year and have the freedom to later adjust the spend as needed in the course of the 12 months. This gives flexibility to benefit from new, emerging opportunities to drive the business without being tied to a pre-allocated and pre committed budgets internally nor externally. Transformation needs a ringfenced budget with flexibility in how it is used and not to have hard commitments in advance.

**Gain trust of the organization and the management:**

When you have a committed budget with the budget owner, trust is a key element; To build it you need to drive the agreed business results and be on top of your costs and spending at any moment in time. Never overspend and manage the budget carefully to not underspend. Predictability and expectation management are key for trust. Having that trust ultimately allows you to have the freedom within the framework without having to be bogged down by control, explaining daily what is being down and how, to focus on adjusting strategy, people, processes, content, investment and on innovating to further drive the transformation to scale the business results.

**Today**

When Marco started as the Director at Philips Personal Care it was pretty much a one-man army. Nowadays the team has a broader scope embracing Activation across Philips consumer Business with a cross functional dedicated team of about 80 people organized according to the Agile principles By now digital is fully integrated in all the specific business areas of Philips on a global and local level.

As Marco's success factors show, turning a global high-tech giant with over >70.000 employees worldwide in a digital business requires a lot more than just digital experts, radical innovation and forceful leadership. It requires people who can build bridges, achieve business results and become an intrinsic part of the new way of doing business, as well as strong leadership (financial) support. It requires patience, persistence and professionalism. It requires brave and bold decisions, which are executed with meticulous attention for business results and that optimize the rational, emotional and political impact.

Creating an organization design and atmosphere for a successful digital business on a global scale is a challenging journey. Marco will be happy to share further his experience and ideas with you.

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