



The Five Steps of Digital Transformation

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Digital Strategy Practice

White Paper

Everyone is talking about digital transformation, but how many people truly understand what that means, and more importantly what they should be doing to capitalize on it?

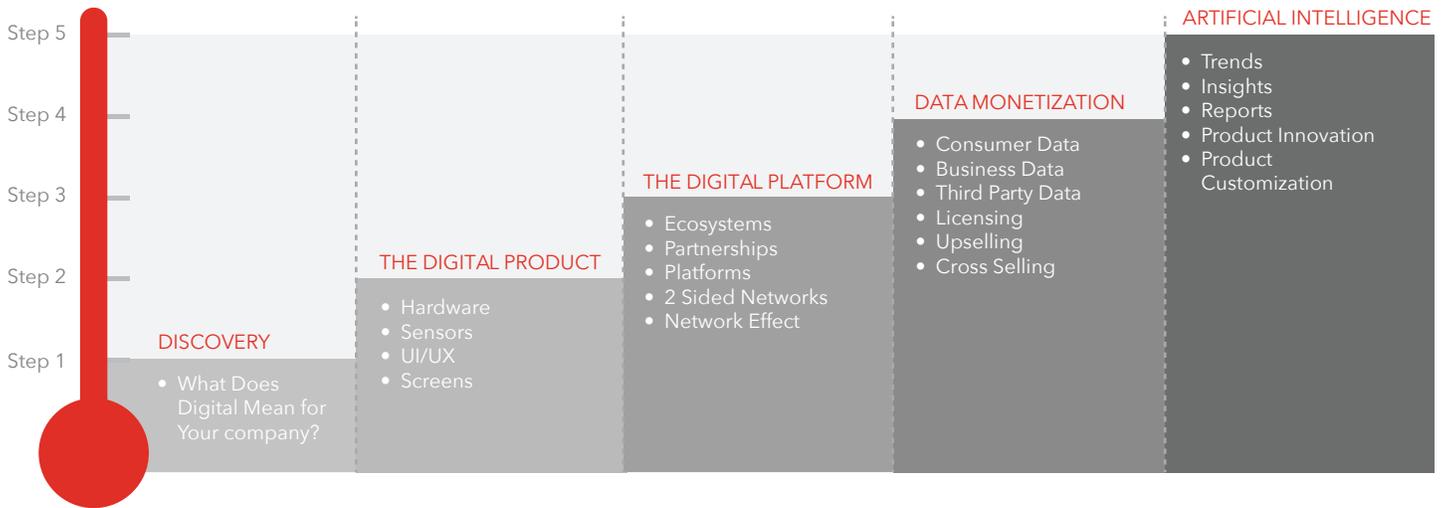
The digital revolution has been talked about for some time now and it impacts just about every sector of business, not to mention our personal lives. We have moved from an analog, disconnected world to one where connectivity is becoming ubiquitous and data is valuable currency.

What does that mean to businesses and to the products and services they provide? In simple terms it means disruption, a shaking up of the status quo that could result in changes to industries that are as impactful as Uber was to the taxi business or Airbnb to the hotel industry. To ignore the digital transformation and its associated disruption is to risk obsolescence and irrelevance.

Having established the need to be part of the digital transformation and understood the need to be the disruptor rather than the disrupted, what happens next? How does a company understand its place in the digital landscape? What can it gain from this digital transformation, and what are the challenges it will encounter along the way?

These are just a few of the questions that the team at Radius Innovation & Development, and at Jabil for that matter, hear every day and this is why Radius has developed the Digital Strategy Practice and the tools to help brands navigate their way through their own digital journey.

We recognize that before you can start a journey it is essential to understand from where you are setting off. We have developed a method of defining the steps or levels of digital transformation to allow us and you to understand where you are and how to help you navigate the journey.



Digital Transformation – Level 1 – Define Your Digital Transformation

Every company is unique in its place in the business world with many different factors influencing competitiveness, brand recognition, core competency, product development, sales, etc. And this is why the first step in digital transformation must be to define a clear picture of existing business goals, position in the market, and the challenges you're facing as you address the unique challenges and goals of your organization. This first step must determine the role that digital transformation will play for your unique company.

We refer to this as the discovery phase, and we use tried and tested methodology to conduct the discovery exercise, honed over hundreds of projects, to explore such key factors as market position, user experience, pain points, and consumer insights to develop a picture of the brand's value proposition. We also need to understand the market they operate in, who the major competitors are and where are they on their digital journey.

The starting point should always be an in-depth exploration of where a business has come from, understanding their domain expertise, the value in the brand, their history and their capabilities. For example, a lock brand, let's call them "Lucky Locks", might have expertise in metallurgy, security and customization. They might be building a reliable and attractive analog lock that has been market leader for decades. But now the market is moving towards smart locks that offer additional features. How do they add technology, functionality and connectivity to their core product and achieve their digital goals?



Digital Transformation – Step 2 – The Product

Technology should never be applied for its own sake, so the use case and the benefit for the user are the core of this exploration. This is the point at which experts in qualitative and quantitative analysis play a fundamental role. A user centric approach is essential to understanding the user's current relationship with the product, as well as their expectations going forward. A humanistic approach is required to see the practical and emotional response to the product and to changes in the way it works. Again, in the case of our lock vendor, users will have views around security and privacy as well as a desire for additional functionality and requirements for ease of use. They may be excited about a voice activated lock, but they may also be fearful of its ability to provide the security and baseline trust they have in the current product.

Any product change must add value, ideally to both the consumer and the brand. Radius has ethnographers in house who can identify, and quantify, the true value proposition of going digital. They talk to consumers, to different vital stakeholders like partners and ecosystem players, and then they work with the business team to ascertain the best way to monetize that value.

Digital Transformation – Step 3 – Connectivity and Ecosystem

In the past, products tended to stand and operate alone, in a vacuum if you will. Now we are in a connected world where the cost of sensors and communications have enabled the Internet of Things, or IoT. As a result, products now have an active role to play in an ecosystem – one in which they had previously been passive.

Take Lucky Locks, once again. Once they've moved from an analog to a smart digital lock, they will next need to find their place in the ecosystem. In this case that ecosystem is probably a smart home where various connected devices interact. Beyond the smart home is the cloud and the ability to connect outside the home. They may also want to develop their own ecosystem, or platform to create a larger, broader market with value added services that allows other devices to connect, like close circuit security cameras or automatic garage doors. Alternatively, they may need to work within an existing ecosystem, like the Nest ecosystem, and connect to smart speakers or personal assistants like Amazon's Alexa in order to achieve the levels of market acceptance and adoption that will make the innovation worthwhile.

Finding the way through the digital ecosystem is all about understanding where the value comes from, as well as what is practical and what is not. But, it is also about understanding all the players in any current and potential ecosystem and where they can add value. Lucky Locks' new smart lock, and the data it produces, may have an impact on the cost of home insurance, for example. This would bring another stakeholder into the ecosystem, and potentially another source of revenue for the lock maker. We call that accretive value, and digital makes it possible.

Digital Transformation – Step 4 – Data Rocks

Many believe that data is the new fuel that charges our future and that those with access to that data hold the key to better customer experiences. There is no doubt that data is the new currency and exploring where and how value can be derived from data is our next level of digital transformation. On a product-by-product or consumer-by-consumer basis, data has some value, but consider the value of crowd-sourced data and what that might add to a product, a service or a business model.



Smart packaging is a great example of the power of data. Smart packaging can be used to identify if a product has been shipped and handled as it should be, and for other applications like auto replenishment. Further, it could be used to promote brand loyalty or to establish the use habits and preferences of the brand's consumer population. The data that evolves from smart packaging sensors wouldn't exist without smart packaging, thus, this creates entirely new value propositions and potentially entirely new business models.

Here's another great example: What if Lucky Locks were able to analyze data, establishing patterns in security breaches, such as peak times for robberies? And, what if they were able to share that consumers to reduce risk and in turn maybe even insurance premiums? This opens the door to new opportunities previously not possible or even considered.

In developing this data capability, it's important to remember that with power comes responsibility. This is no truer than in the world of data security. So, at this stage, the brand needs to put the right infrastructure and policies in place to protect the data privacy of the consumer. This has to be the highest order of priority in investments and attention.

Digital Transformation – Step 5 – Getting Smarter with AI

Some of the world's leading and most valuable brands are firmly planted in this stage of transformation. They are using or developing artificial intelligence (AI) tools to process the huge amount of data they collect with the expressed desire of extracting value for consumers.

Today, this is where we see the highest level of digital transformation. This is digital nirvana, where data flows freely and securely, and where value added services are built on the analysis and interpretation of that data. Many believe that 2018 is a pivotal year for Artificial Intelligence (AI). And we agree. In fact, we and expect to see it play a role in many parts of our lives in the future. Think about it: Amazon leverages AI to offer the right product suggestion through its voice assistants. Netflix leverages the data to create the most popular drama series. And Smart Cities put AI to work to offer us hybrid transport solutions to get from A to B and on to C, while our favorite pizza is being delivered from D.

Getting to this level may seem daunting for many brands, and doing so before working through the other levels of strategic alignment may be difficult. But there are partnerships, that can be explored to accelerate and enable the transformation.

Here, and throughout the entire journey, is where Radius leverages its own experience across multiple industries, along with the manufacturing and supply chain expertise that resides within Jabil. Thousands of designers and engineers have worked on hundreds of projects and products bringing a unique level of experience to every new challenge.

New Business Models and New Skills

The digital transformation has much to offer, including new opportunities, new products, new services and perhaps new disruptive and accretive business models. We have only to discover them. Working through a properly planned and phased process can help develop those opportunities and ensure that brands like Lucky Locks emerges as the disruptor, not the disrupted. Better yet, the exercise can create winners rather than losers left behind wondering what happened to the market they have always depended upon.

The digital revolution is here and it is highly likely that competitors are exploring their options, looking at ways to disrupt the status quo. Innovative startups are also embracing new technologies to enter traditional industries with offerings that reflect the changes in consumer demand.

It's time to transform!