Are You Ready for Digital Disruption?

10 Lessons in Digital Transformation
The journey to digital transformation. Where are you?

From sneaker company to data enabled athletic brand.

From book seller to insight driven delivery service, cloud servicer and entertainment hub.

From UK Grocer to global consumer retailer leveraging data and technology that reframes the shopper experience.

From appliance manufacturer to Industrial Internet provider with 10,000 software professionals.

78% of enterprises believe that the shift to becoming a software-driven business will be a critical driver of competitive advantage. Over 40% say it is already affecting new product and service development. ¹

¹ Global Study: The Battle for Competitive Advantage in the Application Economy², Oxford Economics and CA Technologies, June 2015
Every company is at risk of digital disruption.

The brick-and-mortar video store gave way to the Netflix “red envelope” DVD service, which gave way to Netflix streaming, and to an explosion of other streaming services, from Hulu, Amazon, and others.

If you don’t think your own business is at risk from digital disruption, you’re wrong.
Research showed a select group of companies are spearheading the disruptive use of technology.

“Digital Disrupters” consistently used technology to drive their market competitiveness and streamline their business.

Segmenting Respondents by Digital Effectiveness Index

- Market competitiveness contribution
- Impact on business scorecard
- Digital effectiveness index

- 14% Digital Disrupters
- 32% Digital Achievers
- 54% Mainstream
Lessons from the Digital Disrupters

What do these top performing organizations have in common?
Lesson 1: Understand the powerful role of software and apps.

Digital Disrupters are 3.5 times more likely than mainstream companies to strongly agree with the statement “We need to become more of an app-centric, software-driven business” (60% vs 17%).

They are 3.8 times more likely to strongly agree with the statement “In addition to our core business, we are also now a software company” (53% vs 14%).
Lesson 3: Exploit APIs for internal speed and efficiency.

Digital Disrupters are twice as likely as mainstream companies to have taken a managed approach to using APIs for:

- full-function web applications (68% vs 34%)
- mobile apps (64% vs 31%)
- back-office systems (67% vs 33%)
Lesson 6: Emphasize emerging digital channels to the customer.

Digital Disrupters are almost three times as likely as mainstream companies to acknowledge the criticalness of new digital channels:

- Mobile technology (64% vs 23%)
- Social networks (48% vs 17%)
- Wearable technology (35% vs 12%)
- Internet of Things (51% vs 18%)
Lesson 7: Explore new avenues to keep the value flowing.

Digital Disrupters are 2.5 times more willing than mainstream companies to experiment and fail quickly (57% vs 23%).

They are 3.5 times more likely to strongly agree with the need to shift from fixed product cycles to continuous innovation (66% vs 19%).
Lesson 9: Create a more coherent and collaborative approach within IT.

Digital Disrupters are 3.6 times more likely than mainstream companies to have implemented cross-functional processes within the IT organization (68% vs 19%) and to have broken down the barriers between Dev and Ops (48% vs 14%).
Impact on the business scorecard

As a result of digital initiatives, have you achieved significant measurable benefits against the following key performance indicators (KPIs)?

<table>
<thead>
<tr>
<th>KPI</th>
<th>Yes</th>
<th>Expecting</th>
<th>Not expecting</th>
<th>N/A (no activity)</th>
<th>Unsure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer retention</td>
<td>45%</td>
<td>38%</td>
<td>38%</td>
<td>N/A (no activity)</td>
<td>Unsure</td>
</tr>
<tr>
<td>Customer acquisition</td>
<td>45%</td>
<td>35%</td>
<td>N/A (no activity)</td>
<td>Unsue</td>
<td></td>
</tr>
<tr>
<td>Overall revenue</td>
<td>44%</td>
<td>38%</td>
<td>N/A (no activity)</td>
<td>Unsue</td>
<td></td>
</tr>
<tr>
<td>Customer profitability</td>
<td>41%</td>
<td>39%</td>
<td>N/A (no activity)</td>
<td>Unsue</td>
<td></td>
</tr>
<tr>
<td>Overall profit</td>
<td>41%</td>
<td>40%</td>
<td>N/A (no activity)</td>
<td>Unsue</td>
<td></td>
</tr>
<tr>
<td>New income streams</td>
<td>38%</td>
<td>39%</td>
<td>N/A (no activity)</td>
<td>Unsue</td>
<td></td>
</tr>
<tr>
<td>Share of key markets</td>
<td>35%</td>
<td>42%</td>
<td>N/A (no activity)</td>
<td>Unsue</td>
<td></td>
</tr>
</tbody>
</table>

**ANALYST NOTE:** Building on the previous chart, this one cuts to the chase with a business scorecard view of the world, and looks at whether digital initiatives are contributing to the kind of metrics that matter in the board room. Many are achieving tangible results.
Contribution to market competitiveness

How much would you say your digital initiatives have benefited the business to date in the following areas?

- **Ability to act quickly on opportunities**: 33% Major contribution, 35% Good contribution, 19% Some contribution, 19% Little or no contribution, 20% N/A (no activity), 20% Unsure
- **Opening up of new markets**: 33% Major contribution, 34% Good contribution, 20% Some contribution, 20% Little or no contribution, 20% N/A (no activity), 20% Unsure
- **Creation of new routes to market**: 31% Major contribution, 37% Good contribution, 19% Some contribution, 19% Little or no contribution, 22% N/A (no activity), 20% Unsure
- **Creation of new business models**: 30% Major contribution, 35% Good contribution, 22% Some contribution, 22% Little or no contribution, 20% N/A (no activity), 20% Unsure
- **Ability to attack and defend quickly**: 29% Major contribution, 36% Good contribution, 20% Some contribution, 20% Little or no contribution, 20% N/A (no activity), 20% Unsure

**ANALYST NOTE**: Organizations get into digital for all kinds of reasons, but what really matters is whether they get results. Here we see a high level view of how those participating in our study say digital initiatives are benefiting the business from a market competitiveness perspective.
The Payoff: If you aren’t a Digital Disrupter, you are at risk of being disrupted.

Digital Disrupters have:

- 2x higher revenue growth than the mainstream (26% vs 11%)
- 2.5x higher profit growth (32% vs 13%)
- 1.5x more new-business based revenue (37% vs 23%)