

e-Company: Becoming the Amazon of your industry

How to become a real digital company

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Need for change

The digital revolution has changed the rules of the game, both for customers and for companies in most b2c sectors. Customer expectations of the quality of the online experience of any provider have been raised dramatically. They expect ubiquitous and seamless access across different channels and screens to the digital world. The level of these expectations is typically set outside traditional industries, yet customers expect an Amazon-like online experience whether you are in the telecoms or the energy industry, to name just two. At the same time, new competitors have arisen, delivering a much better user experience in terms of process and service design, and acting much more quickly than traditional companies. How should companies respond to these challenges?

The background

Successful Internet players like Amazon, Google and eBay display certain common characteristics. We call these characteristics 'e-principles':

- **Iteration and excellence:** These companies don't strive for a carrier-grade solution right from the beginning when developing new services. Instead, they develop iteratively in terms of functionality, taking the latest customer feedback into account, but provide excellence right from the beginning. That guarantees much higher customer-centricity, lower time to market and less complexity as, typically, there is no need to implement about 50 % of the functional requirements which are lower priority.

- **Bias for action:** Speed matters in business. Many decisions and actions are reversible and do not need extensive study. Hence, calculated risk-taking is valued.
- **Simplify and automate:** Only simple processes can be handled online. Streamlining of non-differentiating processes allows the use of standard software. Technology is used to the greatest possible extent to support processes.
- **Use the power of the crowd:** This can be used both for exploiting the trove of new ideas coming from the outside (e.g. in the innovation process) and for improving the decision-making basis, e.g. by using the intelligence of your IT development swarm when assessing the progress of bigger IT projects.
- **Data is apolitical:** Evaluate products and projects using real data (traffic), i.e. what consumers really want, instead of what managers argue for or push internally.
- **Culture:** Engage people who strive for innovation, are open-minded, collaborative and willing to share.

The framework

Many companies start their online transformation journey by improving their websites and trying to sell more products online. This is a good starting point, but will not exploit the full potential of the digital world. Adopting the e-principles to the business system of a company affects the entire operational system. Hence we are talking about a bigger transformation to become an e-company. Here is the framework for this journey:

- **Channel management:** The first and very obvious use is e-sales and e-care. Telcos often strive for an e-share of about 60 % in care transactions and about 35 % in sales transactions. To get there requires the integration of online and offline customer processes so that you can leave the choice of where to start and end a shopping process to the customer. It is, by the

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way, not true that online customers are low-value customers. For example, one incumbent operator realized that his online customers show the highest customer lifetime value. You also need to provide a personalized, real-time e2e experience to the customer. This creates an up- and cross-selling potential, as you can offer the customer special deals based on that customer's recent online behavior. But this also requires sophisticated skills in online user experience design and web analytics, that often need to be developed. However, this is not enough unless the products and services are online-ready.

- **Product portfolio:** The complexity of the product portfolio and associated customer processes has to be reduced to make them online-ready. Complexity does not refer to the number of products and services offered but to the complexity in the design of these products and services. Often, products and services are developed for the offline world, and then thrown over the fence to the online unit. This does not work. Modern companies develop under the paradigm "online first" to ensure simplified product and process design, resulting also in a less complex IT system landscape.
- **Process transformation:** Companies need to make a choice. Processes with differentiation potential need to be adapted, taking agility and customer engagement into account. A good example is the product development process. An 'agile' approach leads to reduced time to market (up to 60 % at the same quality) and higher customer-centricity. Other processes with no differentiation potential towards the customer need to be streamlined towards a standard design and served by standard IT applications to reduce Opex. There is a third category, where sophistication in building on the power of a crowd comes into

play. A good example is the assessment of larger IT projects. The status report of a program manager may be biased. There are companies that use the knowledge of the crowd, in this case IT developers and business users, to assess the status and base their decisions on that assessment.

- **IT architecture:** e-companies will design their architecture in a different way, striving for modularity and a clear separation of data, processes and functionalities. Having this in place will allow you to act much more quickly whilst improving your knowledge of the customer. IT companies are also less willing to compromise on their architecture, giving it a much higher weight in decision processes.

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- **Transformation governance:** We have observed good examples of pushing the transformation towards an e-company. One way is to set up a dedicated e-business unit to push e-sales and e-care by ensuring an e2e-approach towards the customer. Such a unit would comprise all functions from marketing, sales and customer services that deal with digital channels. In addition, the IT front-end development would be part of the unit to ensure fast and agile development. That will give you a head start, but will not necessarily have impact on the entire organization. Hence, other companies have decided to install a Corporate Agility Officer to lead the entire transformation towards an e-company, with a direct reporting line to the CEO. This function sets overall transformation targets and supports all units on their digital journey, with a big focus on process transformation.

The economic impact

Companies undergoing this transformation have achieved outstanding results in four areas:

- **Opex:** The potential for overall Opex reduction was between 5 and 12 % depending on the maturity level of the company. This comes from factors such as a reduction in the number of retail outlets and call centres, savings in market research and advertising, and headcount reduction due to automated and streamlined process design.
- **Time-to-market:** Time-to-market could be reduced by 40 % in general, with even 60 % reduction for certain development categories. This requires a full adoption of 'agile' principles (e.g. scrum development approach), including a redesign of the IT architecture, allowing for more applications to be developed using agile methods.
- **Customer-centricity:** Companies on this journey will get a better understanding of their customers' needs as they collect and digest more customer data. In parallel, customer satisfaction increases as the customer has more choices to resolve requests or issues. A higher Customer Satisfaction Index of about 3 points could be assumed.
- **Revenues:** There is also a little revenue upside potential, as you will be able to deal with up- and cross-selling activities in a more sophisticated way, as described above. The rate of sales processes not closed in a retail outlet can be improved by about 20 % when enabling the customer to close the process online.



The prerequisites

Companies willing to embark on this journey should first of all clearly define their business model. Where and how do we want to compete? This must be well understood, as the e-transformation has to support the business model. A next step is to define the transformation targets. Where do we want to stand in three and five years' time on our e-journey? Last but not least, the transformation governance must be decided to ensure that this important journey will not end half way.

In conclusion

The change in the rules of the game brought about by the digital revolution requires a new approach from companies. Customers' expectations have changed dramatically, creating openings for new competitors that can deliver a better user experience and act more quickly than traditional companies. By adopting the e-principles we have outlined here, based on the characteristics of successful Internet players, companies can perform the kind of online transformation that will leave them in the best possible shape to deal with the new digital world.

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