

*"This book will finally place digital at the center
of business strategy" - Russ Artzt*

REVIVE

HOW TO TRANSFORM TRADITIONAL
BUSINESSES INTO DIGITAL LEADERS



JASON ALBANESE & BRIAN MANNING

Founders of Centric Digital

REVIVE

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Businesses into Digital Leaders*

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From Jason Albanese:

To those who inspire me most—My amazing wife, Emily, whose dedication to our children at home and her students in the classroom leaves me speechless. And my two incredible boys Charlie and Henry, their passion for knowledge and incredible imagination remind me there is always more to learn. I cherish every moment I spend with the three of you.

From Brian Manning:

To my parents, Marie and Steve, whose work ethic and encouragement have been my biggest inspiration to achieve more than I ever thought possible. And to my wife Amrita—whose spirit and passion for adventure makes it all worthwhile.

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partners and employees. Chief Digital Officers consistently seek his advice and he has helped shape the digital organizations and strategies of several Fortune 500 companies. In addition to driving thought leadership for Centric Digital he is a frequent guest writer drawing the connection between the latest trends that traditional enterprises can leverage. His quest for doing everything digitally has defined Centric Digital's operations and fully removed the use of paper from his work or personal life.

Introduction

Many thought leaders point out major theories and ideas as to how digital has impacted business, the economy, and society. That's helpful, but this book will do that and more. It will show you “how to” transform or build a core business model that is ready for the digital age. This is not a book about chasing the latest technology, but instead it is a book on strategy, business models, and the art and science of creating your own digital transformation. Our goal is to help you change the game before it changes you, while providing you with the initial thought processes, guidance, and “how-to” so you can.

Digital is about immediacy—about getting the word out, and making changes. Oddly enough, the digital transformation process itself can take years—especially if you have a large company. Why? Because it's not just your business model that may need to change. It's also your people, your technology platforms, and your operational processes that also have to change. Conceiving a new business model and implementing a technology capable of disrupting your industry is only part of the challenge. It's harder to create the teams, the processes and the change that the new technology and model requires. But we will show you how to do that too.

Today, companies are asking most often how to drive the kind of change that will get them noticed, that will put them ahead in their industry and that will make them the next great case study. Are you debating, embarking on a major transformation? Are you worried about whether the idea, or the risk of change will fly in your

1990s	2000s	TODAY
The mall	Amazon.com	Amazon & (Every Store).com
Tower Records, Radio	iTunes, Sirius XM	Spotify, Pandora
Blockbuster	OnDemand	Netflix
Barnes & Noble	Books Shipped Same Day	The Kindle
Desktops	Laptops	Tablets
Cell phone	Blackberry	iPhone/Android
E-tickets	Printable tickets	Mobile Boarding Pass
Bank branches	ATM deposit	Mobile Check Deposit
Rental cars	-	Zipcar
Supermarket	-	Fresh Direct, Blue Apron
Real estate broker	Craigslist	Zillow
Car Service	-	Uber
Timeshare	-	AirBnB
Kodak	Email Photos	Instagram, Facebook
Recruiters	HotJobs	LinkedIn
File Cabinet	Portable Drive	Google Drive, Box.com
Zagats, Reservations, Delivery	Menupages	Yelp, Open Table, Seamless
Travel Agent	Travelocity	TripAdvisor

Figure 0.1 Digital disruptions

current company culture? Today, conservative and cautious can kill your long-term opportunities. If you do nothing else around digital transformation this year, read this book. At minimum, it should help you recognize digital disruptions that will be or are a threat to your business, similar to relatively recent examples outlined in Figure 0.1.

Your customers are in the driver's seat because they know what they want or they've come to know what they want through researching on the Internet, and then go after those companies that deliver the user experiences they are seeking. That's why upstarts have been able to raise billions on inflated valuations creating some of the most highly-valued private tech companies of all time.

What drove their success? *Customers*. Because the traditional model was ineffective, costly, and a bad customer experience, they flocked to these new startups when they came on the scene—not because of their app, but because of their unique business model, made possible by digital.

You don't have to be an analyst, a statistician, an IT geek, a technology guru, or a social media master to take on a transformation initiative. You, however, have to understand the three key drivers of transformation:

1. Changing technologies
2. Competition
3. Changing customer demand for more technology that actually makes their lives better

But most companies aren't moving as quickly as they probably should to leverage the power of digital, which is becoming more and more a necessity to stay competitive. This was evident in November 2011 when a three-year study conducted by the MIT Center for Digital Business and Capgemini Consulting concluded that globally, only one-third of companies had an effective digital transformation program in place.¹ Then in 2014 the Altimeter Group conducted a survey where participants were given a definition of digital transformation to read beforehand. Afterward, they were asked whether their company was undergoing a formal digital transformation that year. While 88 percent of executives and digital strategists stated that they were, only 25 percent of those claiming a transformation had actually mapped out their digital-customer journey—even after reading the definition.

Digital transformation is not just about data, numbers, studies, surveys, and technology. To better understand it, we need to look closely at the stories behind digital transformations and the companies that get affected, both positively and negatively. Companies overcome competition by creating better customer experiences. Other companies get challenged because they are not proactive. We will provide you with a primer to create, develop, and manage your own digital transformation effectively so you end up on the right side of all that digital has to offer.

¹https://www.capgemini.com/resource-file-access/resource/pdf/The_Digital_Advantage__How_Digital_Leaders_Outperform_their_Peers_in_Every_Industry.pdf

This book will explore and illustrate how companies can change, engage, interact with, and disrupt the current digital ecosystem. For those of you who may have forgotten high-school biology, an ecosystem includes all the living things in a given area that interact with each other and their environment.

Many companies may include “new website design,” or “incorporating social media” into their websites and consider that “digital transformation.” Statements like, “We need to redesign our website, we need to build a mobile app” are not strategies, they are implementations of what should be delivering on a strong digital business strategy. These tactics can enhance or be the outcome of the transformation, but they are not the transformation.

What this book, and our entire philosophical approach, is about is that digital transformation is the tip of the spear of your future business model. It’s fundamental to your business and your business strategy. It has a seat at the boardroom table. It requires it’s own profit and loss (P&L). Digital transformation is the heartbeat, the mantra, the thread that runs through this book.

In spite of thousands of examples where businesses of all sizes have successfully transformed, almost every company facing transformation will experience some internal resistance.

You don’t have to be a marketing, branding, or business genius to realize what happens when your company doesn’t keep up with trends in customer desires, needs or expectations. Need an example in one word? Kodak. Kodak management’s inability to see digital photography as the future continued for decades. Even when the general public saw what was happening, Kodak’s management didn’t. As late as 2007, a few years before declaring bankruptcy, a Kodak marketing video told consumers that “Kodak is back” and that they weren’t going to play anymore with digital. Even when studies showed digital would overtake Kodak’s market, researchers there concluded it would “take at least 10 years” to do so.

Not everyone learned the lessons Kodak taught so many. Many companies still resist digital transformation the way Kodak resisted

digital cameras. Even long-standing companies can transform themselves if they are willing to push past the internal resistance.

If you and your organization are ready to transform, what are the steps you can start to take? First, address the resistance. Stop talking about digital as if it's something separate, or a channel of your business instead of at its core. Begin ingraining digital thinking into everything you do. Make it part of your culture, business strategy, and model. Make it a primary touchpoint of your business. Make digital transformation core to your business strategy.

For older and more traditional companies, digital is a separate shared-service unit. This is usually the right structure for companies with less digital maturity. Ultimately, digital will need to be a part of every part of the business, similar to how Amazon or Google may think about digital within their organization—where there is no separate digital team. Businesses won't have “digital teams” because everything will have digital embedded in it.

Second, identify your company's expertise, talent, and uniqueness. Digital transformation is not about simply implementing “best practices” or attempting to copy the digital pure-play companies that are already out there. It's about understanding *your* digital DNA.

Third, create a digital transformation vision. Bill Gates had a vision when he started Microsoft. He envisioned that there would be a computer on every desk in every home long before many people knew what a computer was. Have a vision for the future of business whereby leverage is digital. Digital is the core of every business that operates more effectively with better integrity, and more transparency. They better serve their community and society, and the environment.

Fourth, have fun. Digital transformation shouldn't be this big, heavy, change initiative. Make it fun and exciting for your employees to participate. It should be a challenging, fun, game changing initiative that gives your team purpose.

Fifth, create your own unique experience to get the edge in your market. Nike did it. Disney did it. Casper Sleep and Warby Parker did it.

This book will help show businesses of all sizes how to transform, how to become the digital leaders in their industry. Our hope is that you will stop talking about digital as if it's something separate from your business. Instead it should be seen as the primary touchpoint that both customers and employees connect with daily, because they do already for many reasons. Digital should be a seamless component of your company.

1

The Essence of Digital

Similar to the terms “the cloud” and “big data,” the term digital is often misunderstood and seemingly limitless in scope. It can impact business strategy, user experiences, marketing channels, technology platforms, product development, human resources, communications, customer services, operations, and so on.

In short, any technology that connects people and machines with information or each other is *digital*, which means digital has become essential to every department in every business. When you’re defining digital, it’s a broad business concept, not just an emerging technology concept. Digital impacts most aspects of most businesses, including sales, marketing, customer service, operations, finance, supply chain, human resources, and so on.

Industrial Revolution Similarities

Digital is still in the early stages of what in the future could be looked back on as a change on the scale of the Industrial Revolution, when emerging technologies, new business models, and new processes of the time dramatically changed business, the environment, and society for the better. We believe digital is really today’s Industrial Revolution that could have a similar order of magnitude impact on business, the environment, and society when it reaches maturity. Before getting into defining that digital is today, it may be helpful to

explore the Industrial Revolution and compare to what is going on today in digital.

History is repeating itself, doing the same thing to the world with the “digital revolution” that the Industrial Revolution did with machines. The thing about the Industrial Revolution and the Digital Revolution is that while technologies change, people don’t. The same dynamics that brought about the Industrial Revolution have brought about the Digital Revolution.

What most people know about the Industrial Revolution was that it created more products faster, more economically. Sound familiar? As we mentioned before, digital is about immediacy and satisfying what people always want—“faster, better, and cheaper.” Even in the 1700s people wanted things faster, cheaper, and better.

The Industrial Revolution of the 1700s was similar to the Digital Revolution of today in that it impacted practically every phase of people’s lives, created a higher standard of living, and brought about a lower cost for manufactured goods. It impacted social and economic change. Most importantly it forced people to think differently about how they engaged with the world. Before the Industrial Revolution, life was hard—it was about subsistence 24/7. One of the user needs that kick-started the Industrial Revolution was a pretty basic human one—clothes.

Prior to the Industrial Revolution, the average person may have owned a fraction of the clothing the average person would after. Cloth was a real luxury because cotton or wool had to be carded by hand, then spun by hand on a spinning wheel, and then put on a loom and woven by hand, before becoming fabric which was then sewn by hand. The entire process was very labor intensive.

Along the way to the birth of the Industrial Revolution, a series of innovations in the cloth manufacturing and thread spooling process were invented. These new technologies required less human energy, making fabric production easier, faster, and cheaper. Perhaps the greatest innovation at this time was the invention of a spinning engine called a Jenny (short for engine) in 1764. The Jenny enabled

sewers to produce multiple spools of threads simultaneously, making the weaving process easier and faster because with more thread more people could weave more because they weren't spending weeks spinning thread. This gave them time to sew. In modern terms, we'd call this, "enhancing the consumer's experience."

Only 10 years later when James Hargreaves, the Jenny's inventor, passed away, there were more than 20,000 spinning Jennys in use across Britain. From here, other inventors improved upon Hargreaves' Jenny—producing bigger, faster, and cheaper models to operate spinning engines. Around the same time, someone else invented the power loom that mechanized the process of weaving cloth.

Someone else invented the steam engine and the process for casting iron, and then there was the invention of the telegraph, the stock exchange, and the railroad system. All these fantastic innovations ultimately contributed to what would become not only the fabric industry but the start of the Industrial Revolution. Everyone who invented something did so to solve a problem they were experiencing in their particular industry. But one person, Sir Richard Arkwright, an Englishman, saw the big picture and used what he saw to transform the world. Today we call him the "Father of the Industrial Revolution." Why?

Arkwright combined new technology, power, machinery, semiskilled labor, and the new raw material (cotton) to mass produce yarn. The fact that Arkwright combined new and existing technologies to produce what essentially became the first factory is why he's called the Father of the Industrial Revolution. This is a simple but, critically important, fact to remember because the ability to see, combine, and implement different technologies and processes is exactly what drives digital transformation.

Like the inventions of the Industrial Revolution, digital technologies are enabling businesses to transform themselves and do things in a better way than before. The combinations of digital technology along with the new creative thinking around business that digital enables, allow us to create faster, cheaper, and better services and products. Companies can now replicate what Arkwright did for the world within

their own industry—leveraging emerging technologies to create a better company. By creating their own industry-wide revolution, they bring innovation to a static economic ecosystem.

Just as the “Jenny” didn’t exist in the early 1700s, the Internet didn’t exist in the 50s. Someone invented the Jenny, then a mechanical loom and a way to cast iron tools, a transportation system, a delivery system, and so on. A couple of hundred years later someone invented the Internet, RFID chips, and then the smartphone and social media. The technologies kept changing, but the people didn’t.

People always want and do find a way to do things better, faster, and cheaper. That was true 250 years ago during the beginning of the Industrial Revolution, and it will be true 250 years from today, arguably the early stages of the Digital Revolution.

How Digital Revolutionizes Business

Digital Is Core to Business

Digital today provides immediacy. It’s about listening to what your markets want and need, and then creating business models and strategies that address those needs and wants quickly. Your markets demand responses now. What often “makes sense” to someone thinking logically doesn’t apply to someone thinking viscerally. Transformation is all about being responsive versus reactive. All markets are constantly morphing—evolving through consumer-driven wants. Innovation most often starts in the field, not in a focus group.

Digital Breaks Down Business Silos

Digital is not a silo. It transcends the typical business models and profit and loss (P&L). It also transcends the traditional channel mix. Digital transformation impacts experiences, technology, and people. It may incorporate the usual, but it also transcends the usual business models and units. That’s why it’s so complex and hard for companies to get good at it.

People have to be involved in it on a day-to-day basis. When people say, “What is digital?” they don’t know because the term is so broad, so generic, so all encompassing. We could be talking about marketing channels and digital business strategy and somebody else is talking about the design of the website. Digital is all of those things and so much more. Even though many people mistake it for a faster record keeping or tracking system (two-dimensional) that’s not what the Internet of Things (IoT) or digital is. It’s more than that.

What Sir Richard Arkwright saw in the 1700s was what today’s digital transformers are seeing as well—the third and fourth dimensional potential of technology. The ability to digitally transform a company means going beyond just collecting big data. It means interpreting it, understanding what it’s telling us, and seeing new ways to help end users interact with and engage with your company, products, and services as a result.

Digital Gives Customers (A Loud) Voice

Business is very different today. Release your products as soon as possible, or else you will start to lose customers rapidly away. For example, in the gaming industry, if you are piloting a new game in beta but are consistently delaying release, your customers will react negatively unless you are adequately responsive to them.

Customers are in control today because they can talk to each other about your brand through digital channels, where it’s publicly visible to everybody. They can even be louder than the marketing division of that brand. They’re the ones who are going to choose who they follow, what they buy, and what their experience will be. If you don’t understand their pain and know how to give them what they want with the great customer experience they expect, they’re going to find someone who will. Pre-digital, it was easy for a giant company to just drown out any of that negative noise with marketing. Because there wasn’t a forum or social network for consumers to voice concerns, or a way for people to come together and really get their opinions out, a bad

customer experience wasn't a big deal unless the person managed to get the attention of the media.

Even then, the screams died pretty quickly. With the Internet, those screams and issues are preserved for eternity—along with your responses even down to the letters you write and actions you take, or don't take.

What happens in times of disruptive change is that traditional metrics like quality, durability, and longevity are either challenged or thrown out, and values like speed, low cost, efficiency, and immediacy become the bar by which all challengers are measured.

New innovative companies initially come into the competition in a small way, and traditional businesses may not see them as a threat because they don't have the established brand awareness. Traditional businesses may feel safe and underestimate the new company's potential by comparing their offering to what's already there. Then the new company expands their initial business model and leveraging their technology platform, or combines technologies and quickly become a clear threat.

What we see are many companies although successful, mistakenly value the things their customers don't particularly care about, instead of focusing on the things their customers really want. When the gap between what a company values and what their customers value gets too big, that's when competition move in. That's why digital leaders put their customers in more control. That's not a bad thing.

Digital Enables Big Bang Disruption

They call them "Big Bang Disruptors" because you don't see them coming as they may not even be coming from areas you consider your industry. Remember Sir Richard Arkwright combined different technologies from different industries to kick-start an entire revolution. To say that someone who doesn't even compete with you can be one of your biggest threats is not an exaggeration.

Remember the almost dominance of stand-alone GPS systems like Garmin, Magellan, and TomTom? They thought they were the only game in town and were just competing with each other—until every smartphone on the market came with GPS and free map apps like Google Maps. In an article, they wrote for the *Harvard Business Review*, Larry Downes and Paul F. Nunes, consultants at the Accenture Institute for High Performance, wrote: “But now entire product lines—whole markets—are being created or destroyed overnight. Disruptors can come out of nowhere and instantly be everywhere. Once launched, such disruption is hard to fight.”

Digital technologies level the playing field and accelerate the pace of delivery of large scale innovations. Gordon Crovitz, writing for the *Wall Street Journal*, agrees. Crovitz said, “Powerful new technologies like cloud computing and big data allow entrepreneurs to develop products and services that are ‘simultaneously better, cheaper, and more customized.’ This isn’t disruptive innovation. It’s devastating innovation.”

Few industries, if any, are immune to disruption. If your business is going to survive, you need to accept this reality. Twenty years ago who could have predicted that something as simple as a mobile phone would turn industries like home phones, pinball and arcade games, GPS devices, casinos, cameras and video, flashlights, travel agents, restaurant guides, and newspapers upside down?

Customer demand is also going to force changes in heavily regulated industries like pharmaceuticals, transportation, and energy. We’ve already seen regulated services like education, medicine, and law face change.

Innovation changes not only the way people do business but the rules about *how* we do business. It always has and it always will. Just about the time we learn the new rules, they change again. In 1995 Joseph L. Bower and Clayton M. Christensen’s wrote an article for the *Harvard Business Review*, “Disruptive Technologies: Catching the Wave.” The article taught us what we know about how to spot disruptors before they cripple or kill our business.

Bower and Christensen told businesses to “be on the lookout for upstarts that offer cheap substitutes to their products, capture new, low-end customers, and then gradually move upmarket to pick off higher-end customers.” When disrupters do appear, like a few lone ants strolling across a kitchen counter, it’s time to act quickly—either by acquiring them ASAP, or embracing similar technology and business models.

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