

Digital Transformation

The fourth Industrial Revolution

Digitization has brought about a radical shift in the balance of power between businesses and their customers. The growing maturity of globalized markets is creating greater conformity of products and services. As a result, customer care is becoming the key differentiator between competitors. The cumulative power of marketing, sales, e-commerce, and service is now a business-critical factor. If a company lacks a concerted strategy across all market-facing units, its profitability will suffer. Corporate success or failure is now dependent on the consumer's online choices.

Tailored for the customer

The key challenge—and opportunity—is to create a smooth, seamless, and cross-departmental framework for marketing products and services. That is the essence of digital transformation in the business context. Today's "connected" consumer is more knowledgeable, powerful, and status-aware than ever before—and has clearly defined expectations. The attitude can be summarized as follows: "Give me everything, always, anywhere, and in real time—with the best customer care, maximum personalization, and at the lowest possible price!"

And it's not just retail that is creating this sense of entitlement—it is a particular feature of B2B commerce. After all, B2B vendors are not simply catering to individual consumers. They have to deal flexibly and appropriately with multiple individuals—who may have

conflicting interests—within complex procurement systems. Where once the focus was on efficiency and cost control, the key concern now is the ability to respond to every customer need.

Vision and survival strategy

According to Darwin's theory of evolution, the survival of any biological organism depends on its ability to adapt to its environment. The same principle applies to business "organisms" in the era of Industry 4.0. The importance of digitizing every aspect of the enterprise is clear and unambiguous: it's about surviving in globalized markets characterized by massive upheaval across all industrial and service sectors.

What is called for is a digital vision—a strategic positioning with the primary focus on long-term business goals. This vision should be the sole basis for defining and driving technological devel-

opments and strategies as you guide your entire company through the digital transformation process.

Holistic approach

When investing in digitization, you need a holistic approach to ensure the best possible return on your investment. There is also an extra dimension to investment in a digital context: digitization transforms the way that companies develop their products and services, organize their internal operations, market their products and services, and connect with customers and partners.

Traditional profitability assessments are of limited value when it comes to such fundamental and enterprise-wide digitization projects. Many of the effects of digital transformation are cumulative and intermodal, i.e., the whole is greater than the sum of its parts—which makes it difficult to demonstrate ROI.

” *In order to compete, or to continue to compete in today's ever-changing global markets, you need to be the fastest, easiest and most reliable partner to do business with.*

Dr. Jochen Wiechen, CEO Intershop Communications AG

New perspective

To achieve the best possible results from digital investments, the internal corporate decision-makers driving the transformation process should consider and evaluate each investment from the customer's point of view. Management boards need to discard the old “inside-out” model, alter their perspective, and view their business as the market sees it.

The role of management is to change the company's strategic alignment in accordance with this outside-in model, i.e., to focus on what their customers want. Agility and innovation management are now business-critical factors. In order to transform the existing business model and boost revenue through digital investment, management teams have to tear down the technological and operational barriers that exist between the various parts of the business.

Do the right thing

Plan your digital investments in the knowledge that customer expectations are always changing. In order to meet and exceed these expectations, your CIO and CTO should consider the following points:

Be aware of emerging digital technologies and their potential impact on customers. Decide which new technologies are already valuable to your business and which still need time to mature.

Don't collect unnecessary data. Data is obviously a crucial component in a digital world. But merely collecting huge volumes of data is not going to make your company “digitally mature.” First you have to figure out what information you actually need to develop your customer relationships. Having done that, you can then use artificial intelligence and analytics to arrive at useful results.

Integrate each investment into your digital vision. It is extremely important that you design your digital projects as an integral part of your overall digital vision. This is the only way to generate new revenue and secure your market share.

Measure the impact of digital investments on customer satisfaction. It is difficult to manage the transformation of your business if the criteria you use to monitor performance aren't focused on improving customer satisfaction across the entire organization.

Reinvest the savings from your digital investments. Ensure continuous innovation by using the money saved through improved productivity to invest in new technologies.

There's more to digital transformation than simply adapting your business to a new digital reality. Digital services and the associated data create entirely new revenue opportunities. Accordingly, traditional manufacturers are increasingly morphing into service providers.

Learn more about digital transformation in our comprehensive Intershop white paper [➤ www.intershop.com/resource-detail/digital-transformation-how-to-turn-your-business-into-a-digital-powerhouse](http://www.intershop.com/resource-detail/digital-transformation-how-to-turn-your-business-into-a-digital-powerhouse)



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