THE ONE PERCENT SOLUTION

by Bryan ***Ziegler***

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Many organizations are moving to adopt digital technologies, but the speed of adoption is ever increasing and most organizations need to move at a faster pace to avoid competitive disadvantage. Many barriers exist in assembling the right resources and technology to successfully reposition your business for the digital age.

- How do you build a road map for digital transformation when it is continuing to evolve and there are few "case studies" showing your executives how to do it?
- How do you benchmark and define success for digital transformation?
- How do you budget for this process?

Many organizations are still grounded in traditional department-driven budgeting models with limited cross-department views and almost no customer-driven operational views. Technology is often applied piece-meal to individual departments rather than to the overall enterprise.

DIGITAL LEADERS TAKE A DIFFERENT APPROACH

There must be a shift in the investment and management approach to embed technology in overall business operations rather than layering new technology onto existing operations. ***Digital leaders lead with enterprise architecture as strategy.***

THE POWER OF ONE PERCENT IN CROSSING THE DIGITAL DIVIDE

These leaders are investing in digital, but the secret to digital transformation is not merely opening up the corporate coffers. For sure, being overly conservative can impede progress, however it's vital to leverage investments and drive results. Too often organizations are achieving limited returns due to limited change; no wonder many executives are dissatisfied with their technology spend and management!

FINDING DIGITAL ROI

A solid "yardstick" should be in place to gauge success in digital initiatives. A few of the most common metrics to pursue include:

Order Migration to Online Channels: Order migration to online channels is a good place to start. Research shows that digital leaders are migrating 60 percent or more of their order acquisition and related order activities to their digital channels, with many in the 80+ percent range. The cost savings from replacing off offline with online order acquisition ranges from $12 to $24 per order.

This is a metric that must be pursued aggressively and must be clearly defined to overcome internal and external objections quickly. Well orchestrated order migration campaigns can be a great "shot in the arm" for digital transformation momentum.

Increases in Average Order Value: Research shows that average order values (AOV) are typically higher online than offline. Increasing AOV is highly relevant if you have thousands of SKUs or more — the higher the SKU count, the greater the opportunity to increase AOV. Digitization can increase AOV anywhere from 10 to 100 percent, and compounding the value proposition of online order management and improved AOV can support significant revenue increases.

Keep in mind, prerequisites here include high-quality product content, including personalization capabilities for cross-sells, up-sells, personas, kits, etc., as well as programs to drive site adoption.

Reallocating Customer Service Resources: In most organizations, the percentage of time spent by customer service staff on activities where customers could self-serve online is often greater than 50 percent. The most frequent activities include placing an order, checking order status, providing shipment and delivery information, checking on inventory availability and providing product information. Quantifying these activities should be included in early planning efforts and earmarked to aggressively move online.

Leaders should re-imagine customer service in a digitally-enabled model and assertively plan for the migration of customer service staff to other value-added roles in the organization as the plan unfolds.

Reallocating Sales Reps: Research also shows that sales representatives often spend more than 50 percent of their time on non-value-added activities. The opportunity to increase productivity and generate additional average revenue per rep is significant in most organizations. One word of caution: Ensure your commission and other incentive programs are supportive of a digitally-enabled multi-channel model.

Equally important to the goals selected is the communication of those goals and support from senior management. For most organizations, focusing on only two or three goals at a time is important to keep the desired directional control and drive alignment through the organization.

APPLYING THE POWER OF ONE PERCENT

Proper funding must be in place to realize these digital transformation benefits. Unfortunately, most organizations still leverage a "bottom-up" departmental budgeting and cap-ex approach for their annual planning efforts. Isolating the acquisition and implementation of technology fails to recognize the company-wide interdependencies between technology, process, people and programs and the impact of these interdependencies on the level of investment required.

Plus, annual planning cycles are often not long enough to drive digital transformation momentum.

To move organizations away from this approach, I suggest a new call to action: The Power of One Percent – committing to an ongoing investment of one percent of revenue for digital transformation.

What's most important about The Power of One Percent isn't the percentage itself, it's the philosophy — a commitment to passionately invest at least one percent of revenue on transformation for the foreseeable future. It's an intentional, proactive, radically applied investment that views the investment from the top down as opportunistic, rather than as a sum of locally isolated budget initiatives.

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WHAT, ME WORRY?

"But I sell pipe. Do I really need to invest in digital content and e-commerce?"

I can't tell you how often I hear this question at the many industry conferences where I speak about digital transformation. The short answer is: "Yes! Absolutely! Most definitely!" And the long answer is: "You need to do everything possible to protect, promote, distribute and sell your brand to stay relevant to today's increasingly digital customer."

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This means shifting away from the least expensive or easiest digital decisions toward the best digital investments for customer-centric operations, and a shift from *annual* plans to *agile* plans. It recognizes the need for speed. It is the fuel to drive toward an agile, operational and goal-oriented model that accepts a higher level of risk to generate a higher level of return.

The actual percentage can vary due to any or all of the following factors: The speed of desired change, the ability of the organization to absorb change, the size of the technology deficit to overcome and the size of the organization. And while the digital journey will be different for every organization, in the early stages, three primary elements are important to drive the One Percent investment.

Lay the Foundation: Laying a digital foundation requires the acquisition of e-commerce technologies and the integration of these technologies to core applications. The ability to move information across your expanded ecosystem with speed in a real-time mode is essential. ERP, CRM and business intelligence (BI) applications will play core roles in the ecosystem along with other adjacent technologies. The focus must be on the reinvention of core processes that are digitally enabled across these core systems. This becomes the foundation upon which all other technologies will be launched.

Building the integration model to support reinvented core processes is mandatory, and will pay off with greater efficiencies and elimination of duplicate or inconsistent data. This will require strong vision and alignment across systems and functions. Investing in quality APIs (Application Programming Interface) to connect core systems is required.

As core processes are being re-engineered, move quickly and iterate towards your goals as the transformation unfolds. During all phases, communicate frequently through a variety of channels to your customers about your transformation plans. History shows they will give you grace along the journey if they know you are in active pursuit of meeting their needs.

In Phase 1 where you are building the foundation, expect 40 percent or more of your investment to be spent on acquiring, implementing and integrating core digital technologies. In Phases 2 and 3, this percentage will likely drop into the 25 percent range, but the acquisition of technologies to build out the digital ecosystem over time will continue for several phases.

by Bryan Ziegler

NEED A REASON TO TRANSITION YOUR BUSINESS TO A DIGITAL PLATFORM? DIGITIZATION CAN INCREASE AVERAGE ORDER VALUES ANYWHERE FROM 10 TO 100 PERCENT.

Product Content: The creation and execution of a plan to create, acquire, manage and maintain high quality personalized product content is an effort of great significance and investment. Recognize that content is now the loudest voice you have to inform and engage your customer and prospects about the products and services you sell, as research shows 60-90 percent of buyers start their product search online. Search engines further dictate that this content must be differentiating for optimal Search Engine Optimization.

Content now goes well beyond product-only information and must incorporate social content such as ratings and reviews, questions and answers, access to product experts, etc. For organizations with large SKU counts, the program to acquire content must be phased and multi-faceted so as to not inhibit the speed of digital deployments.

Depending on SKU count, approximately 25 percent of your investment will need to be allocated towards your product content creation program. Initially, apply the 80-20 rule and segment products to help prioritize content creation — focus on the 20 percent of your products that generate 80 percent of your revenue, you can get gains quickly.

Marketing: Investing in marketing is the third mandatory key component. In Phase 1, the balance of the investment not spent on technology and content primarily should be allocated to marketing and digital resource development that will center on marketing over time. In subsequent phases, as technology and content investment recede, investment in marketing should rise.

Digital marketers and digitally savvy employees are in short supply for most manufacturers and distributors, so plan to grow from the inside as well as blend in new hires to close this gap. With every digital deployment, the programs to drive adoption and gain insights for improvements must be intentional and aligned with the goal to drive the metrics you establish.

Planning ahead to rapidly overcome objections to internal and external adoption as they arise will help gain momentum and drive success. Plan on ongoing significant efforts focused on adoption. Keep time frames as short as possible and don't boil the ocean with your deployments. Strategically prioritize enhancements or deficiencies towards the greatest outcomes.

While digital transformation is complex, the time is now to swap out your row boat for a speed boat and start charting your race using intentional investment and intentional returns as the guide. Do this and you'll successfully navigate digital disruption and pilot your future. CS

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