For several years, business leaders have been abuzz about digital transformation. But as much as the phrase gets thrown around, many executives and other employees may still lack an understanding of what it means to digitally transform their company—and what that transformation will require.
Dear eMarketer Reader,

eMarketer is pleased to make this report, *Digital Transformation 2017: Disrupting ‘Business as Usual,’* available to our readers.

This report is a great example of eMarketer data and insight that explore the concept, drivers and challenges of digital transformation—as well as the organizational changes required, the impact on the customer and how success is measured.

We invite you to learn more about eMarketer’s approach to research and why we are considered the industry standard by the world’s leading brands, media companies and agencies.

We thank you for your interest in the report and IBM for making it possible for us to offer it to you today.

Best Regards,

Crystal Gurin
SVP President and Publisher
For several years, business leaders have been abuzz about digital transformation. But as much as the phrase gets thrown around, many executives and other employees may still lack an understanding of what it means to digitally transform their company—and what that transformation will require.

■ Most executives agree that a digital transformation is necessary in order to combat competitive players, keep pace with disruptive technologies and evolve with shifting consumer expectations. Still, many are unsure of how to start the process, or even of what exactly digital transformation entails.

■ Business leaders shouldn’t get lured into adopting digital technology just because it is new and innovative. Technology is the means to transforming, not an end in itself. Instead the focus should be on setting a clear goal for the future, and then settling on a strategy based on that vision.

■ Not all businesses are prepared for transformation: Multiple factors can prevent these programs from working. However, experts agree that if companies don’t transform, there is an increased risk that they will be disrupted by an upstart or another company that gets to market first.

■ Senior leadership needs to be an internal mouthpiece for change, and the transformative vision must be communicated throughout all levels of the organization. Employee training, hiring the right talent and cross-team collaboration are also critical.

■ Marketers may find themselves responsible for leading the charge. In many cases, a digital transformation is about meeting the customer’s needs—a common responsibility for marketing teams.

■ By its very nature, a digital transformation has no firm endpoint. As a company gets closer to its future vision, the process keeps evolving. However, there are many metrics that can be used to gauge how successful the efforts have been thus far.

WHAT’S IN THIS REPORT? This report explores what it means for a business to undergo a digital transformation. It defines the concept and considers its drivers and challenges—as well as the organizational changes required, the impact on the customer and how success is measured.

77% of CMOs worldwide agree* that marketing has a critical role to play in their company’s innovation agenda**

Note: data was provided to eMarketer by Accenture; *includes responses of 4 and 5 (“agree” and “strongly agree”) on a 5-point scale; **generating new value for the business including developing ecosystems with nontraditional players, launching platforms that elevate current products into expanded service models for customers and increasing revenues through next-generation connected data monetization

KEY STAT: When asked about their attitude toward innovation and disruptive growth, 77% of CMOs worldwide surveyed by Accenture in March 2016 agreed that marketing has a critical role to play.

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DIGITAL TRANSFORMATION: CRITICAL FOR THE FUTURE, AND FULL OF UNCERTAINTY

When it comes to digital transformation, most executives are convinced it’s a necessity for their business to thrive in the future. More than 80% of senior business and IT decision-makers worldwide said their company wants to embrace digital tech to redefine how to run the business and define their vision for a new digital enterprise, according to a June 2016 CA Technologies poll conducted by Coleman Parkes Research.

DEFINING DIGITAL TRANSFORMATION

Although most executives believe that digital transformation is necessary, it is not always obvious what digital transformation is—or how to approach it.

In fact, many executives can’t even agree on their company’s definition of digital. “If you put 20 [executives] in a room and ask them to define ‘digital,’ you are guaranteed to get 20 different answers,” said Anand Eswaran, corporate vice president of Microsoft Services and Microsoft Digital.

Uncertainty is the theme that Martha Mathers, marketing practice leader at consulting firm CEB, said she sees most from her clients as she works with them to define their digital transformation efforts. “Digital presents so much choice, so much opportunity and such a different way of working that it creates tremendous uncertainty. Most marketing leaders feel overwhelmed by technology … and they’re not sure where to begin,” she explained.

November 2016 research from PricewaterhouseCoopers (PwC) also highlighted the discrepancy in companies’ definitions of digital. More than three in 10 business and IT executives worldwide said digital refers to all technology innovation-related activities, 29% felt that digital is synonymous with the work of IT, 14% believed digital is about customer-facing technology activities, and another 14% said digital refers to all investments the company makes to integrate technology across the business. The only thing clear from this survey is that there is no consensus.

Only 6% of respondents in the PwC poll said that digital “goes beyond technology alone to reflect a mindset that embraces constant innovation, flat decision-making and the integration of technology into all business applications.” Though it was chosen by a very small percentage of respondents, this statement is most reflective of how the 20-plus brand and industry experts interviewed for this report define digital transformation.

<table>
<thead>
<tr>
<th>Primary Way in Which Their Company Defines Digital</th>
<th>According to Business and IT Executives Worldwide, Nov 2016</th>
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<tbody>
<tr>
<td>% of respondents</td>
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<tr>
<td>All technology innovation-related activities</td>
<td>32%</td>
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<td>Synonymous with IT</td>
<td>29%</td>
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<tr>
<td>All customer-facing technology activities</td>
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<td>All the investments we are making to integrate technology into all parts of our business</td>
<td>14%</td>
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<td>Goes beyond technology alone to reflect a mindset that embraces constant innovation, flat decision-making and the integration of technology into all phases of the business</td>
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<td>All data and analytics activities</td>
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Note: n=2,216

Greg Verdino, managing partner at content consultancy Verdino & Co., was quick to point out that while businesses have been living in a world of digital disruption for more than two decades, it is in the past several years that organizations have been realizing they need a strategic agenda to keep up with the pace of change.

“Digital transformation forces businesses to not just think about how they leverage technology to do things better, faster, cheaper,” he said. “It is [also] about using technology as a means to an end, to innovate and do something they’ve never done before.”
David O’Reilly, chief platform officer at Proteus Digital Health, said that digital shouldn’t be thought of as an add-on, ancillary technology. It needs to be integrated into the rest of a company’s vision. “Digital transformation is changing the rules of the game and redefining what the actual identity of a company, a product [is]—and what the relationship is between the product and the customer through a digital lens,” he explained.

Technological capabilities are iterating at a rapid pace, and while innovations like artificial intelligence, big data and the internet of things (IoT) are enablers of digital transformation, Verdino cautioned that businesses shouldn’t “get wound up in the specific technologies.” He continued, “Don’t chase shiny objects, but instead understand what you’re trying to achieve for your customers and for your business, and how you can create new value.”

As the vice president of brand and digital innovation for Chili’s restaurants at Brinker International, Wade Allen said he understands the lure of “shiny technology.” He explained: “There’s always another disruptive technology that pops up that we should add. It’s really hard because we have to vet which technology is sustainable and needed to achieve our goals for the future.” Allen maintained that although this vetting takes time and might be easy to dismiss, not approaching digital transformation this way could mean waking up one day and finding Chili’s behind the curve.

To avoid getting left behind, Verdino recommended that companies “reverse engineer” a vision: think about where they want to be in a year, five years, etc., and “then map technology opportunities against that goal.”

Catharine Hays, executive director of The Future of Advertising Program at The Wharton School of the University of Pennsylvania, was in agreement with this approach. She explained that digital transformation isn’t necessarily about meeting a company’s needs today, but “looking three to five years out to envision where the company’s going, and what technologies need to be incorporated to get to that essential North Star of what they want to be in the future.”

ESTABLISHING CLEAR PRIORITIES

While looking to the future is one of the first steps in beginning a companywide digital transformation, the process requires painstaking efforts in order to be successful. Stephen J. Andriole, the Thomas G. Labrecque professor of business technology at Villanova University, cautioned businesses just starting out: “There’s a series of steps that one must undertake before launching a serious digital transformation project. They’re extensive, disruptive and politically challenging, to put it mildly, [to implement] inside organizations.”

Conflicting priorities was the most commonly named obstacle to implementing a digital transformation initiative, named by 38% of marketing technology professionals in North America polled by SapientNitro in collaboration with Chief Marketing Technologist and the MarTech Conference in April 2016. Respondents also cited a lack of vision from leadership (18.5%) and lack of a clear business case (10.6%) as hurdles.

Crucial to tackling these challenges head-on is having clear priorities, a strong, tested business case, and a digital advocate in a leadership position. We face the reality that the majority of business transformations fail,” said Tom Puthiyamadam, global digital services leader at PwC. “Typically, the [ones] that fail are doomed to fail from the beginning: They lack integration at the start, don’t include the right people in the decision-making process or have unclear goals. It’s one thing to set a grand vision, but it’s quite another thing to follow through, consider all the variables, test, refine and be accountable for the results.”

A strong business case is the cornerstone of a successful transformation. “Unless you really understand your processes and technologies, unless you’ve got a champion, you should proceed very cautiously,” Andriole said.

In order to develop a solid plan, executives have to weigh a variety of factors that can influence their priorities for digital transformation. The Economist Intelligence Unit (EIU)’s 2016 survey of executives worldwide found that 48% of respondents prioritized areas where they could seize competitive advantage when setting their priorities for transformation, 45% focused on areas linked to improving customer engagements and satisfaction, and 44% concentrated on the opportunity to impact overall company performance goals.
Factors that Have the Greatest Influence on Priorities for Digital Transformation in 2016 According to Executives Worldwide

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<th>% of respondents</th>
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<tr>
<td>Areas where we can seize competitive advantage</td>
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<td>Areas linked to improving customer engagement/satisfaction</td>
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<tr>
<td>Opportunity to impact overall company performance goals</td>
</tr>
<tr>
<td>Expected ROI targets for specific digital transformation investments</td>
</tr>
<tr>
<td>Areas where we can demonstrate/achieve success quickly</td>
</tr>
<tr>
<td>Availability of talent resources and capabilities</td>
</tr>
<tr>
<td>Availability of funds</td>
</tr>
<tr>
<td>Areas where we face strong competitive pressure</td>
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To figure out which factors are most important, Verdino advised a two-pronged approach for companies building their business plans. Organizations should first think about the areas of the business that are most easily disruptable, or the “blind spots, the places with the most risk;” he said. The second step is to explore avenues that give the business a “unique competitive advantage.” Executives need to be very specific with goals, Verdino explained. “When you break it down like that, you can actually come up with a list of specific things for the business to strive for, not just this vague idea of ‘transforming’ the business.”

‘YOU HAVE TO EVOLVE’

Executives cite numerous drivers for digital transformation, but leading the pack is the desire to streamline costs while still growing, in spite of competitive and disruptive pressures. The changing needs and wants of the customer are also a prominent motivator.

A March 2016 QuickBase survey of US IT and operations decision-makers found that growing revenues (75%), reducing costs (72%) and solving problems (66%) were the top three reasons businesses pursue digital transformation.

According to an April 2016 Altimeter survey conducted by Phronesis Partners, digital strategists and executives in North America and Western Europe said their transformation efforts were motivated by customer preferences and behaviors (55%), growth opportunities in new markets (53%) and increased competitive pressures (49%).

And 91% of executives worldwide believed that the effect of digital disruption on their industry is significant, according to December 2016 research from the Global Center for Digital Business Transformation (DBT Center), an IMD and Cisco initiative, and metaBeratung.

Effect of Digital Disruption on Their Industry According to Executives Worldwide, Dec 2016

<table>
<thead>
<tr>
<th>% of respondents</th>
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<tbody>
<tr>
<td>Very significant</td>
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<tr>
<td>Fairly significant</td>
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<td>Somewhat significant</td>
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<tr>
<td>Not at all significant</td>
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<tr>
<td>Don’t know</td>
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Source: Global Center for Digital Business Transformation, an IMD and Cisco initiative (DBT Center) and metaBeratung, “Redefining Leadership for a Digital Age,” March 2, 2017

Some companies are better poised for digital transformation than others. According to Microsoft’s Eswaran, “for existing companies, it often starts at the low end, with how do I acquire digital capabilities and what does that mean.” By contrast, newer companies that were born as digital businesses “infuse every aspect with digital from the start,” he said.

Todd Forsythe, senior vice president of digital marketing at Dell, agreed: “Startups and fast-moving companies are able to capitalize because they’re building new, modern infrastructure, whereas many legacy companies are essentially bound by very large heterogeneous data centers with a lot of investment in legacy systems, and it’s harder for them to transform.”

Not many companies are fully prepared to combat disruptive challenges. The DBT Center and metaBeratung asked executives how prepared they are to meet digitally disruptive competition. Only 13% said they were “very prepared,” while 40% believed they were “fairly prepared” and 39% were just starting their preparations.
Digital startups are a big piece of this disruption. In fact, 77% of business leaders worldwide polled by Vanson Bourne on behalf of Dell Technologies in March 2016 said digital startups pose a threat to their business. More than a quarter of the respondents said that threat was imminent at the time of the survey, and 21% said the threat would be present in the next 12 months. Of respondents who said digital startups posed a threat, just under half said it was because startups are early adopters of smart machine technologies, and 41% said it was because they are agile and free of legacy technology and traditional business culture.

Internal inertia is also a barrier to digital transformation for many companies. Andriole explained that for a business that is profitable, it can be hard to see the value in a digital transformation effort. “Transformation is best accepted in companies that are struggling, [where] either the processes are broken, or their revenues and profitability are falling. Or if they’re in a competitive market, and they see their market share being attacked—either by other incumbents or by startups—then you’ll find the appetite for change to be rising rapidly. Conversely, though, if a company’s doing really well, you have the same opposition lining up.”

However, companies that don’t take disruption seriously and don’t undergo a transformation can also be at risk, according to Andriole. “Market leaders can sometimes wait too long to innovate, and they end up getting displaced,” he said.
That risk of inaction is a driver for Hilton Worldwide, according to Mark Weinstein, the hotel company’s vice president of customer experience, engagement, loyalty and partnerships. “There’s a lot of pressure on an established brand that’s almost 100 years old because if we fail, it’s pretty spectacular. People judge changes critically, but the risk of making a mistake isn’t as great as the risk brands take by not changing at all. Evolution happens out of necessity. Brands have to evolve or they just won’t be there anymore,” he said.

Still, some companies just aren’t ready yet. And according to The Wharton School’s Hays, that is OK—as long as they do something, even if it’s small. “If you’re not quite ready for an entire digital transformation, start with experimenting and setting aside a certain amount of budget to invest in learning. By doing that, you’re addressing risk by starting to dip your toe into the water,” she explained.

Others are charging full steam ahead to counter the threat they perceive from digital startups. The Dell Technologies survey found business leaders worldwide said they were responding by focusing on customer engagement and satisfaction (47%), growing software development teams and capabilities (42%) and embedding digital across the entire organization (39%).

## Transformation does not come cheap

Spending on digital transformation technologies is increasing worldwide, according to the “Worldwide Digital Transformation Spending Guide” from International Data Corporation (IDC). In 2017, spend is forecast to be more than $1.2 trillion, an increase of 17.8% from 2016. This growth is expected to continue, and IDC forecasts that by 2020, spending on digital transformation technologies will reach $2 trillion globally. IDC estimates that the largest portion of investment this year—more than half of total funds—will go to technologies that support operating model innovations. The second largest chunk of investment will go to technologies that support communications between partners, employees and customers.
However, despite growth in worldwide spending, many organizations still cite financial and resource investment as major hurdles to digital transformation—at least for themselves. The Altimeter and Phronesis Partners polling found that resources (64%) and lack of budget allocation (62%) were among the digital transformation challenges cited by digital strategists and executives in North America and Western Europe.

PwC’s 2017 “Global Digital IQ Survey” found that business and IT executives worldwide are working with few resources, despite wanting to transform. In fact, 80% said identifying opportunities to digitize their enterprise is a critical part of their innovation process, but under half of respondents (43%) said they have a dedicated team for digital innovation.

For the sake of accountability, businesses need to have designated teams that own digital transformation and strong leadership support. And while it is true that transformation must occur across all business units in order to entrench itself successfully throughout an organization, marketers may find themselves at the forefront of the change.

Those interviewed for this report agreed that a successful transformation must come from a company’s top leadership. And the CA Technologies and Coleman Parkes Research poll found that 80% of senior business and IT decision-makers worldwide said their company is “investing in leadership to drive digital enterprise.”

Having the CEO visibly engaged in the company’s transformation is important. According to a June 2016 survey from McKinsey & Company, 94% of business professionals worldwide said their CEO was engaged in the process.

For Hilton, Weinstein said digital transformation “really does start with our CEO at the top. That mandate comes from the board and from our CEO to really get it right.” From there, the task to execute moves to all teams. “Really every function in the company—whether you’re in finance, accounting, marketing or any sort of combination of functions—is involved in our business’ perpetual transformation to be more digital,” Weinstein said.

The majority of respondents in the McKinsey & Company poll agreed that their CEO is a mouthpiece for and leader of their organizational transformation. Meanwhile, some 82% agreed that their CEO communicates a compelling “change story” to the organization, the same proportion found their CEO to be a visible advocate of transformation, and 77% agreed their CEO explains the connection between transformation objectives and overall performance goals.
Attitudes Toward Their CEO’s Role in Organizational Transformation According to Business Professionals Worldwide, June 2016

| % of respondents
| CEO is visible advocate of transformation | 63% | 19% | 7% | 7% | 4%
| CEO communicates compelling change story to organization | 59% | 23% | 4% | 9% | 5%
| CEO communicates connection between transformation objectives and overall performance goals | 53% | 24% | 8% | 9% | 5%

- Strongly agree
- Somewhat agree
- Neutral
- Somewhat disagree
- Don’t know/not applicable
- Strongly disagree

Note: n=1,487

Roles at Their Company that Have Been Visibly Engaged* in Their Most Recent Organizational Transformation According to Business Professionals Worldwide, June 2016

| % of respondents
| CEOs | 94%
| Senior leaders | 94%
| Leaders of transformation initiatives | 89%
| Line managers | 82%
| Leaders of program management office or transformation office | 76%
| Frontline employees | 73%
| Chief human resources officers | 67%

Note: n=341; among respondents who reported having a successful organizational transformation; *very/somewhat engaged

Clearly communicating the message of transformation to all employees is critical for success, according to Verdino. He explained that in some cases, he has seen executive teams have a solid plan written down on paper, but because there wasn’t transparency, “employees had no idea why transformation [was] happening and what role they play.” The business takes a big risk by not empowering their leaders and other employees, because they can’t gain the full support of the organization if the goals of digital transformation aren’t transparent.

Transformation needs to spread down throughout the company, to senior leaders, managers and—eventually—all departments and employees. Respondents in the McKinsey & Company survey whose company had undergone successful organizational transformation reported that senior leaders (94%), leaders of transformation initiatives (89%) and front-line employees (73%) had all been visibly engaged in their most recent transformation efforts.

A CULTURE OF CROSS-TEAM COLLABORATION

To be a best-in-class digital business, according to 46% of business leaders worldwide polled by Vanson Bourne for Dell Technologies, digital goals must be integrated into all departmental and staff objectives. For that reason, changing company culture and organizational structure are big components of transformation.

“A successful transformation will almost always impact culture, as companies work to integrate different mindsets and skillsets—and explore new ways of working,” CEB’s Mathers said. The most critical enabler of successful transformations isn’t data, technology, content or even strategy. The top enabler is related to the people.”

CA Technologies found that 84% of senior business and IT decision-makers worldwide said investing in the right talent was part of their company’s digital transformation initiatives.
For Marriott International, part of innovating is getting the right people in place. Stephanie Linnartz, the hotel chain’s global chief commercial officer, said, “On the organizational side, we’re always trying to look for the best talent, for people who understand the consumer trends in technology.” Having the right mix of employees helps Marriott’s digital transformation efforts, she explained.

Puthiyamadam also noted that company culture must foster diversity of thought in order for businesses to keep pace with digital transformation. He explained that since this is a massive undertaking, success requires “the ability to look at the problem through many different viewpoints. This means that team members from various backgrounds, disciplines and levels must be given the time and space to collaborate. By doing this, you can arrive at innovative solutions and anticipate otherwise unexpected risks.”

And this means that current employees—even those who aren’t the most digitally fluent—must be brought into the fold. While the lack of properly skilled teams was the top existing barrier to achieving results from digital technology initiatives named by the business and IT executives surveyed by PwC, employee training, education and empowerment were commonly cited as must-haves for digital transformation by experts interviewed for this report.

General Electric takes this approach with its employees and culture, according to CMO Linda Boff. “Digital transformation is a priority for every function and every employee at every level. It has taken partnership and sweat from across the company to get us to where we are today, and it’s our top priority for 2017. When an organization marches collectively toward the same goal, fueled by the same transformative purpose, then the change becomes real. It’s not just top-down or bottom-up or only for IT—it’s throughout.”

### MARKETING’S ROLE

In some cases, marketing departments can lead the charge. According to the March 2016 Accenture survey, half of CEOs worldwide said the CMO is one of the executives most responsible for driving disruptive growth at their company. The only other C-level executive ranking nearly as high in the survey was the chief strategy officer, at 49%.

The same Accenture survey found 77% of CMOs agreed that marketing has a critical role to play in a company’s innovation agenda. But what’s “critical” is unique to every company and its individual transformation. In interviews for this report, senior marketers shared some ways their teams have helped lead the way in their organization’s digital transformation.

**Dun & Bradstreet uses agile marketing practices to inspire digital transformation.** When Rishi Dave started as the CMO of Dun & Bradstreet over three years ago, he implemented an agile marketing practice as a way get his team to be more digitally inclined. “In order to be increasingly adept at keeping up with the rapid pace of change, we have a culture of testing and learning. This allows us to keep up more rapidly than a typical company.” According to Dave, this change in process on the marketing team has impacted the company’s larger transformation efforts.
Marketing originally spearheaded digital transformation at General Electric. Currently, digital transformation at GE is run by a separate business unit, GE Digital Business, which was formed in early 2016. But before this team was in place, marketing led the way to “drive mindshare” for transformation, Boff said. “We communed with next-generation thinkers in the space to have a conversation about what the future of manufacturing would look like. Marketers are supposed to have their fingers on the pulse of trends and behaviors—if your organization isn’t having that kind of conversation about the future, marketers need to start it.”

An IBM client creates incubator groups on the marketing team to test disruptive technologies. The marketing department can also be a testing ground for larger transformation efforts, according to Dave Haucke, program director of product strategy at Watson Marketing at IBM. One IBM client created a “marketing skunkworks team that works to tinker and figure out how to bring those leading-edge technologies into their business, rather chase them as part of the core” before the company is ready, he said.

Dell’s marketing team leads the company to its digital transformation goals. Transformation at Dell is focused on delivering one-to-one personalized communications to customers across all channels—an initiative led by marketing. Forsythe explained that his team at Dell is guided by what he calls a “North Star,” and although marketing is leading this initiative, it has to govern the entire organization. “Across Dell, the business needs to have a view of the customer relationship,” Forsythe said. “All of the efforts throughout the organization are mapped to a single North Star for the company.”

CUSTOMERS ARE AT THE HEART OF TRANSFORMATION

A common goal of digital transformation is to deliver consistent customer experiences across all touchpoints. Since marketers interact closely with end consumers and are often on the front lines in designing this experience, they have access to a very critical player driving digital transformation: the customer.

In fact, there is a gap for many companies between the experience they deliver for their customers and what those customers actually expect from brands. Digital transformation efforts can help bridge that gap, according to Verdino.

Placing the customer at the center of digital transformation can help companies prioritize. For Mathers, a technology-first approach can cause executives to “consider strategy too late in the game.” She explained: “The smartest organizations focus their transformation efforts around the customer, beginning with customer buying behaviors, and then use that understanding to shape strategy. Only then does the strategy guide technology investments.”

But adopting this customer-centric view is not without its challenges. More than half of business leaders worldwide surveyed by Dell Technologies said customers were a main influencer driving their company’s digital transformation efforts—the highest-ranking factor by a margin of more than 10 percentage points. But it’s not always easy to know what customers want: Some 71% of digital strategists and executives in the Altimeter survey named “understanding [the] behavior or effect of a new customer” as a challenge of digital transformation, making it the most cited barrier.
KEEPING THEM HAPPY

Understanding the customer and being open to new platforms are critical elements of digital transformation at L’Oréal. “To be successful, we are learning how consumers want to interact with us, and we show up where they are—on their mobile phones, in relevant notifications or messaging in email. Showing up with social content that speaks to the things that are important to them. And understanding that it’s a journey,” said Yvahn Martin, director of ecommerce and digital marketing for the beauty brands Decléor and Carita.

As the global ecommerce technology lead, Anthony Long describes himself as the “agitator inside Kimberly-Clark.” He said digital transformation is about answering the change in the behavioral patterns of consumers, and that means ensuring a good customer experience—especially on mobile. “The smartphone is everyone’s primary sidekick these days. In the minds of marketers, the transformation is a technological issue, but it’s actually a behavioral issue. The reality is whenever people have to fill a specific need or solve a specific problem, that journey starts with a smartphone. That has been the true transformation.”

Puthiyamadam said that customer experience tends to be the overlooked part of transformation. But marketers “can serve as advocate[s] for the customer, and ensure that any choices the team makes will result in a stellar experience for the end-user. Digital technology has become a bridge that connects businesses with their customers in a direct, immediate and personal way,” he said. “The challenge now becomes considering all of the dynamic connections that factor into the experience. Something as simple as the design of an interface can mean the difference between customer loyalty or the customer disregarding it altogether.”

Many traditional brands—across a variety of industries—understand that a satisfied customer is key to success. Digital transformation plays a big role in this.

- At Marriott, all components of the customer experience have been impacted by technology. “Digital technology is transforming how the guests interact with us—not just when they’re at our hotels but also as they are booking,” Linnartz said. For that reason, all touchpoints, including the website, the mobile app, and on-property experiences like check-in and room entry, must have “the right combination of high-tech and high-touch.”

- The United States Postal Service (USPS) adds digital touchpoints to physical mail to meet changing customer needs. Just about everyone in the US is a customer of the USPS, and according to Bob Dixon, director of product technology innovation, “[our marketing team has] embraced that digital does not have to be a competitor, but [instead] could be a complementary feature of our products.” USPS has introduced new digital products to connect the offline experience of getting mail to the online channel. This includes getting online alerts when new mail is delivered and being able to change an address via a mobile app.

- Chili’s infuses digital into all aspects of the dining experience, giving the restaurant brand more data to better understand its customers. Three years ago, Allen’s team was tasked with bringing digital and mobile to the literal table. The first move was allowing diners to digitally check themselves out when they are finished eating. This also opened a door to more data collection for Chili’s. According to Allen, “When you put tech on the table you gather additional data to learn about your customers, and you need systems to hold and analyze that data.” The road map for handling that data is the restaurant chain’s next step in digital transformation.

For more insight into how marketers ensure that each touchpoint is part of a cohesive and customized omnichannel experience, see eMarketer’s April 2017 report, “Customer Experience 2017: The Journey Toward Customer-Centricity Continues.”
A digital transformation is never finished. For companies that want to stay ahead of the curve in their execution of digital technologies, innovation must be a sustained effort. But there are ways to measure the effect and success of transformation programs that will help executives and marketers understand how digital transformation is affecting their business over time.

Microsoft’s Eswaran said: “There is no concept called ‘futureproofing’ in a digital business. One thing is guaranteed: The pace of technology changes so rapidly, you will never be done. You will be in constant iteration and in constant digital disruption of yourself. And if you don’t do that, somebody else will.”

Executives at companies old and new shared this sentiment about their own digital transformation efforts:

■ “I feel like we’re always at the beginning. Every day we start again with the next set of technology and the next generation of what’s available.” —Mark Weinstein, Hilton

■ “I don’t even know that we’ve even gotten really started yet. You have to innovate each stage that you’re in, because digital transformation is never done. We can never be satisfied, and you’ll always have to wonder what’s coming next and what can disrupt you.” —David O’Reilly, Proteus Digital Health

However, just because digital transformation is continual doesn’t mean that there are not ways to gauge progress. CEB has three different digital transition profiles they use to understand where a marketing team is in its transformation. Many of the signs could also be applied more broadly, to a company as a whole.

■ In “digital exploration,” the team pursues digital projects but uses traditional systems enhanced by digital add-ons. A digital specialist handles the work, and the team is only in the beginning stages of marketing technology exploration, with a very sparse stack.

■ In “active transition,” there are many more digital initiatives in progress, but marketers are still exploring how to deliver new digital touchpoints to customers. Internally, hiring is a major focus, as is technology.

■ In “digital proficiency,” all team players are digitally fluent, and the marketing group is very focused on customer needs and technological advances. The marketing technology stack is also carefully deployed.

Retail is one industry leading the pack in digital transformation. According to Hauke, the retail industry has “got some of the most complex environments, because not only is it digital storefronts, but also brick-and-mortar outlets as well. At IBM, we’ve seen that once retail proves the case, other industries are fast followers.”

December 2016 research from JDA and PwC confirms this assessment. A majority of retail executives worldwide were thinking strategically about transformation. About half said their digital transformation strategy was well-defined and being implemented, while another 38% said the strategy was being developed, although it hadn’t been implemented yet.

<table>
<thead>
<tr>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>% of respondents</td>
</tr>
<tr>
<td>Digital transformation strategy is well-defined and is being implemented</td>
</tr>
<tr>
<td>Digital transformation strategy is being developed but implementation has not yet started</td>
</tr>
<tr>
<td>We are struggling to define a digital transformation strategy</td>
</tr>
<tr>
<td>No plans to develop a digital transformation strategy</td>
</tr>
</tbody>
</table>

Financial services, hotels and telecommunications companies are quick on retail’s tail when it comes to transformation, according to Hauke.

**MEASURING SUCCESS**

Even if companies must always be transforming, there are ways to measure whether their digital transformation efforts have been successful thus far. About two-thirds of US digital decision-makers polled by Loudhouse Research on behalf of Progress in March 2016 said improved customer satisfaction scores, a better alignment between IT and marketing and an increase in sales/leads are all indicators that digital transformation is working.

% of respondents

<table>
<thead>
<tr>
<th>Metric</th>
<th>% of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improved customer satisfaction scores (e.g., NPS)</td>
<td>68.6%</td>
</tr>
<tr>
<td>Better alignment between IT and marketing</td>
<td>66.4%</td>
</tr>
<tr>
<td>Increase in sales/leads</td>
<td>64.1%</td>
</tr>
<tr>
<td>Improved digital engagement</td>
<td>62.7%</td>
</tr>
<tr>
<td>Improved conversion rates</td>
<td>55.5%</td>
</tr>
<tr>
<td>Higher margins/profitability</td>
<td>53.2%</td>
</tr>
<tr>
<td>Improved ability to attract digital talent into the organization</td>
<td>49.5%</td>
</tr>
<tr>
<td>Notable cultural change throughout the organization</td>
<td>49.5%</td>
</tr>
</tbody>
</table>

Note: n=220
Source: Progress, "Are Businesses Really Digitally Transforming or Living in Digital Denial?" conducted by Loudhouse Research, May 16, 2016

Dell Technologies also found that common key performance indicators (KPIs) used by business leaders worldwide to measure the progress and performance of digital transformation efforts included customer satisfaction measured via digital analytics (44%), speed to market (43%) and the proportion of customer interactions handled digitally (40%). Additionally, 38% said their company had a dedicated executive committee to assess digital transformation progress.


% of respondents

<table>
<thead>
<tr>
<th>Metric</th>
<th>% of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer satisfaction using digital analytics</td>
<td>44%</td>
</tr>
<tr>
<td>Our speed to market</td>
<td>43%</td>
</tr>
<tr>
<td>The proportion of customer interactions now handled digitally</td>
<td>42%</td>
</tr>
<tr>
<td>We have a dedicated executive committee to assess digital transformation progress</td>
<td>38%</td>
</tr>
<tr>
<td>We create a full digital profit &amp; loss statement</td>
<td>38%</td>
</tr>
<tr>
<td>The cost savings gained as a result of replacing human labor with smart technologies</td>
<td>36%</td>
</tr>
<tr>
<td>The percentage of our employees who have received digital training</td>
<td>35%</td>
</tr>
<tr>
<td>The ability to successfully facilitate human interactions with machines</td>
<td>31%</td>
</tr>
<tr>
<td>Our ability to predict human behavior through data</td>
<td>29%</td>
</tr>
<tr>
<td>The number of patents filed</td>
<td>28%</td>
</tr>
<tr>
<td>By percentage of revenue spent on R&amp;D and lessons learned</td>
<td>17%</td>
</tr>
<tr>
<td>By percentage of revenue spent on R&amp;D and lessons learned</td>
<td>15%</td>
</tr>
</tbody>
</table>

Note: n=4,000
Source: Dell Technologies, "Embracing a Digital Future" conducted by Vanson Bourne, Oct 5, 2016

Microsoft’s Eswaran also noted that KPIs for digital transformation will vary across industries. But one benchmark that he thinks is critical for measuring success is productivity. “The productivity of the organization is expected to massively increase through digital transformation. So you need to think through how do you baseline productivity—and what does an increase in productivity mean—to quantify results,” he said.

For Hays, the best way to measure success is to know your goals and then make transformation tangible against clear business outcomes. “If you can’t measure it, you can’t manage it. If your objective is to better understand and better serve your current and potential customers, there are lots and lots of metrics to benchmark against that goal.”
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