

Digitize Your Business Strategy

The Strategy Report In The Digital Business Playbook

by Nigel Fenwick and Julie A. Ask

February 28, 2020

Why Read This Report

How your business uses digital capabilities to create customer value will define your future success. You must simultaneously deliver operational effectiveness in support of customers. To win, you must digitize your business strategy, creating a digital business. This report examines business strategy for eBusiness and Channel Strategy professionals in the digital age.

This is an update of a previously published report; Forrester reviews and updates it periodically for continued relevance and accuracy.

Key Takeaways

Emerging Technologies Change Your Business Model

Digital technology will continue to change how your business makes money. Technologies like the internet of things (IoT), mobile devices, and AI give companies new opportunities to generate revenue from services, products, and pricing strategies and lower the cost of delivering services.

Use Digital To Help Customers Get The Outcomes They Desire

Reenvision your business not as a set of products and services but instead as a part of the value ecosystems that your customers assemble according to their needs and desires. Learn to increase value by expanding your company's role in your customers' ecosystems.

Extend, Transform, Or Disrupt Your Business

Based on your industry, competitive position, operational capabilities, and appetite for change, identify your company's opportunities to use technology to transform how it operates and delivers value to customers.

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Digital Business Unlocks New Opportunities

All business strategy options are now so dependent upon digital capabilities that business strategy must be defined with technology at its core. The impact is far more disruptive, transformative, and pervasive than many eBusiness and Channel Strategy leaders realize. Digital businesses use emerging technologies to rethink how they deliver value to their customers. No area of your business will remain untouched.

Emerging technologies present opportunities to create new value for customers and drive revenue growth. As companies mature into digital businesses, they go through three broad stages of business strategy evolution. At a high level, companies:

- › **Extend existing opportunities with (digital) technologies.** This stage started in the 1990s, when companies began to first migrate catalogs and then marketing, sales, and customer support to the web. Mobile not only offers new paths to market but also helps firms transform customer experiences and increase operational efficiency.¹ Disparate digital initiatives are often separate, and companies are typically still identifying the skills, tools, methodologies, and technologies they require to transform.
- › **Transform the business by using digital to unlock additional value.** Digital technologies — such as mobile devices, connected sensors, apps, and AI, paired with iterative development methodologies, disciplines like design thinking, and employee tools like Salesforce and Slack — increase the speed and agility with which businesses can respond to customer needs. In this stage, companies use technology to improve how customers get to outcomes, often with new digital services, and to further increase operational excellence.
- › **Disrupt the market, leveraging an ecosystem to deliver products or services.** Technologies like APIs, cloud, developer portals, and app stores enable companies to combine their capabilities with partners in new and faster ways. In this stage, companies break down traditional barriers, disrupt established value chains by connecting disparate entities — customers, suppliers, internal teams, or external partners — in complex and dynamic ecosystems, and uncover unique opportunities within them, viewing all business capabilities as potential assets they can monetize.

Extend Existing Opportunities With (Digital) Technologies

Most opportunities in this stage can be summarized as “doing old things in new ways.”² For the most part, companies continue to generate revenue in the same way they have in the past, but technologies such as smartphones, sensors, and connected devices increase the number of people they can reach, improve how they deliver goods and services, and reduce costs. At this stage, most companies are “bolting on” digital capabilities, converting customer experiences selectively, but they have yet to coordinate separate digital workstreams. The opportunities here include (see Figure 1):

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- › **Using digital touchpoints to improve customer service.** Mobile technologies have transformed how we board planes, make payments, refill prescriptions, and order take-out; voice-based virtual assistants can control the lights, music, and temperature in our homes. Business customers increasingly expect digital services like those they experience as consumers.
- › **Setting up direct-to-customer distribution to cut out intermediaries.** Companies that can build a compelling digital customer experience create opportunities to disintermediate other suppliers to gain market share. In this model, companies cut out intermediaries and use digital touchpoints and platforms to reach and serve customers directly. As a result, they learn more about their customers and become better at satisfying their underlying desires.
- › **Expanding into new markets to drive rapid scale.** The internet transcends borders, giving customers everywhere access to products from firms that are ready to scale and ship globally. That enables firms in industries as diverse as financial services, healthcare, education, and wholesale trade to serve a long tail of customers they previously could not serve cost-effectively.
- › **Capitalizing on the immediacy of service delivery to maximize profits.** Ubiquitous connectivity allows for the immediate delivery of many services, enabling dynamic customer pricing. Game developer King perfected this model by selling more turns to consumers to let them play Candy Crush Saga immediately rather than waiting 30 minutes for another round. Australia's Telstra prices minutes and data differently based on customers' immediacy. If they buy well in advance, prices are lower because Telstra receives the money sooner. Uber is famous for using dynamic pricing to match taxi supply and demand.³
- › **Increasing employee productivity to improve margins.** Providing field service personnel with connected devices like iPads can reduce the time and cost of field repairs. Drones can collect information in dangerous or hard-to-reach locations. Centralized specialists can help field workers with maintenance and repairs. Doctors can treat patients in remote locations based on data collected via smartphone attachments such as AliveCor's EKG Monitor or CellScope's otoscope.⁴ Companies that digitally enable employees and processes can reduce operating costs, streamline inventory holding, free front-line employees to act on higher-value, customer-experience-enhancing tasks, and improve organizational efficiency.
- › **Automating processes to increase agility.** Emerging technologies like robotic process automation enable marked improvement of inefficient operational processes, reducing operating costs while simultaneously improving operational agility.
- › **Increasing capital asset utilization.** Monitoring high-value assets using digital sensors helps companies optimize utilization by tuning operating parameters. Power plants in New York are interconnected with digital sensors in plants and transmission lines.⁵ Tuning operating parameters based on sensor data can extend the life of gas turbine components, reducing maintenance downtime and saving millions of dollars per year. Chemical companies digitize plants with sensors to optimize production and maximize safety.

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FIGURE 1 Early Digital Business Opportunities Involve Doing Old Things In New Ways

Opportunity	Explanation	B2C examples	B2B examples
Improved customer service	Companies use digital touchpoints to enable customers to buy goods and services and connect to customer service.	Digital technologies, particularly smartphones, transform how consumers board planes, make payments, refill prescriptions, and order food.	W.W. Grainger uses digital touchpoints to allow business customers to order online and handle basic customer services. Mobile makes it easy for industrial buyers to order products from the field.
Direct-to-customer distribution	Companies cut out intermediaries and use digital touchpoints to reach and serve customers directly. As a result, they learn more about their customers and become better at satisfying their underlying desires.	Tesla sells cars without dealers. DirectAsia sells car insurance directly to drivers. Unilever bought Dollar Shave Club to sell razor blades directly to customers for a monthly subscription.	Warby Parker sells eyeglasses directly to consumers instead of through eye doctors.
Expansion into new markets	Companies use digital touchpoints to reach new customers who previously could not be reached or served cost-effectively.	Micropayments enable low-income households to access digital services. Harvard and MIT extended their education brands worldwide by establishing edX.	W.W. Grainger built Zoro Tools to reach new small business customers and extend services to new markets.
Dynamic pricing	Companies take advantage of the immediate delivery of services that ubiquitous connectivity enables to change how they price services based on customer demand.	Uber uses dynamic pricing to match taxi supply and demand. Game developer King sells more turns to let people play Candy Crush Saga immediately rather than waiting 30 minutes for another round. In Australia, Telstra customers can buy minutes or data at lower prices if they buy well in advance because Telstra receives the money sooner.	

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FIGURE 1 Early Digital Business Opportunities Involve Doing Old Things In New Ways (Cont.)

Opportunity	Explanation	B2C examples	B2B examples
Digital employee tools	Companies arm employees with connected devices and other digital tools that make them more efficient, allowing frontline employees to act on higher-value, customer-experience-enhancing tasks.	Airline staff access customer information on mobile devices; pilots use digital flight plans. Telemedicine enables remote care and diagnosis for services like radiology. Doctors can treat patients in remote locations based on data collected via smartphone attachments such as AliveCor's EKG Monitor or CellScope's otoscope.	Providing field service personnel with devices such as iPads and HoloLens can reduce the time and cost of field repairs. Drones can collect information in dangerous or hard-to-reach locations. Centralized specialists can help field workers with maintenance and repairs.
Process automation	Companies use emerging technologies like robotic process automation (RPA) to improve inefficient operational processes, reducing operating costs while simultaneously improving operational agility.	RPA can improve processes like mortgage origination, transaction cancellations, and customer address changes.	RPA reduces legal paper processing time.
Asset optimization	Companies use digital sensors to monitor high-value assets and tune operating parameters, which optimizes utilization.	Satellite radio company Sirius XM purchased Automatic, a company that provides a cellular-connected, on-board diagnostics sensor and app to help consumers optimize their vehicle use.	Tuning operating parameters based on sensor data can extend the life of gas turbine components, reducing maintenance downtime and saving millions of dollars per year. Chemical companies digitize plants with sensors to optimize production and maximize safety. Power plants in New York are interconnected with digital sensors and transmission lines to increase grid efficiency.

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Transform The Business By Using Digital To Unlock Additional Value

In this stage, companies uncover opportunities to start doing business differently: doing new things in new ways. Each company's ability to create value for customers depends on how effectively it can build new digital capabilities and use them to deliver the outcomes customers really desire, not just the products or services it has traditionally sold. The old distinctions between products and services break down, changing how customers consume and pay for them. That enables companies to price, sell, and earn revenue in new ways. Digital businesses acknowledge that they can't do everything themselves, so they extend their capabilities by working with partners and divesting low-value capabilities. These opportunities include (see Figure 2):

- › **Enhancing physical products with digital services.** Adding apps and sensors to existing physical products enables firms to help customers achieve the outcomes they want. Consumers buy connected watches and scales to track activity and lose weight. They buy connected thermostats to reduce energy costs. Farmers buy connected tractors from John Deere or Caterpillar to increase yields.⁶ Airlines buy connected jet engines from General Electric (GE) and Rolls-Royce.⁷ GE's industrial turbines come with optional digital twins to help monitor performance and optimize the turbine for each customer's needs.⁸
- › **Using AI to widen access to guidance.** Coaching delivered on a mobile device in real time in small doses can change consumers' behavior more effectively than limited, in-person sessions — helping them make better decisions in their moments of need.⁹ AI has advanced to the point of offering human-like coaching. This lets businesses create value immediately, without human intervention, at very low marginal cost, which creates value both by letting well-trained machines take over these tasks and augmenting the knowledge of professionals to help them do more with less training.¹⁰
- › **Using new sources of data to change sales and pricing models.** With new sources of data and real-time data streaming, companies in many industries can change how they sell or price services or even sell services instead of products.¹¹ Industrial giant Caterpillar sells operating time and outcomes rather than expensive capital equipment. Use of data lowers the cost to serve by reducing risk. Progressive Insurance in the US, for example, lets customers pay for insurance based on their driving behavior.¹² Metromile uses a vehicle tracking system to price its insurance coverage by miles driven.¹³ Proteus Digital Health enables healthcare insurance payers to only reimburse prescription medication if it's used properly.¹⁴
- › **Offering insights-as-a-service to monetize data.** Companies can generate value from data by placing it in a customer's context to deliver proprietary insights with business APIs. This often involves aggregating multiple data sets and using AI to generate insights. Mastercard aggregates anonymous purchasing data to sell market insights and retail location insights. DuPont's subsidiary Corteva Agriscience spun off Granular: a digital business helping farmers using data services to maximize farm yield.¹⁵

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FIGURE 2 More Mature Digital Businesses Start Doing New Things In New Ways

Opportunity	Explanation	B2C examples	B2B examples
Digital services that enhance physical products	Companies combine or enhance existing products with digital services to deliver the outcomes that customers desire, creating new value.	Consumers buy wearables like connected pedometers to track activity and lose weight. Connected thermostats like Eneco Toon and Google Nest help consumers manage energy use. Allstate Good Hands Rescue Network offers pay-per-use roadside services.	Farmers buy connected tractors from Caterpillar or John Deere to help increase yields. Airlines buy connected jet engines from GE and Rolls-Royce. GE's industrial turbines come with optional digital twins to help monitor performance and optimize the turbine for each customer's needs.
Digital advice delivery	Companies use digital touchpoints to deliver insights, guidance, and advice to customers, often with subscription pricing.	Budgeting apps like Mint help consumers monitor their spending. Health insurers improve patient outcomes using continuous health coaching via mobile apps. AXA offers a concierge service with recommendations on transport, shopping, and restaurants to accompany its travel insurance products.	Commercial fleet operators regularly use digital sensors embedded into vehicles to collect location and operational data used to optimize route planning and vehicle usage. Navigation tools provide an immediate service benefit to drivers. Schindler Elevator uses Microsoft HoloLens to provide remote assistance to onsite technicians.
New pricing models based on usage or outcomes	Companies use new sources of data or real-time streaming to charge for services based on individual customer usage or customer outcomes.	Aviva in the UK and Progressive Insurance in the US let customers pay for insurance based on their driving behavior. Metromile uses vehicle tracking to price insurance by the number of miles driven. Proteus Digital Health enables healthcare insurance payers to only reimburse prescription medication if it is used properly.	Rolls-Royce sells aero engine power by the hour. Industrial giants such as Caterpillar and GE sell operating time and outcomes rather than expensive capital equipment. Commercial espresso machines are priced by the number of servings. Air compressors are priced by hours of use. Elevators are priced on people moved.

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FIGURE 2 More Mature Digital Businesses Start Doing New Things In New Ways (Cont.)

Opportunity	Explanation	B2C examples	B2B examples
Insight-as-a-service	Companies monetize their data by placing it in a customer's context. They aggregate data sets, often using AI, to deliver proprietary insights with business APIs.	Visa provides a transaction alert API to notify consumers of suspicious transactions. Mastercard aggregates anonymous purchasing data to sell market and retail location insights. Walmart's Trending API returns curated data based on browsing and selling activity on Walmart's website. Allstate's Arity collects data on drivers and sells analytics and insights to third parties.	IBM's The Weather Company sells weather insights to airlines and energy companies. Granular sells farmers data to help them maximize their farm yield.

Disrupt The Market By Leveraging An Ecosystem To Create New Products Or Services

Digital ecosystems accelerate the pace at which firms can innovate and deliver products and services. They can also fundamentally alter your firm's business model. Ecosystem-enabled businesses — like Airbnb, Lyft, Salesforce, Uber, and Xero — have emerged and have achieved huge market valuations in record time. Established firms can embrace the same disruptive mindset. Companies like Bharti Airtel, Luxasia, and Volvo are developing ecosystem strategies to reposition their own services, deepen customer relationships, and find new revenues.¹⁶ Opportunities include (see Figure 3):

- › **Partnering to create disruptive new services.** In this model, companies combine their capabilities with those of others to create new ways to deliver improved customer outcomes. BMW is partnering with Mercedes-Benz to create all-electric, autonomous vehicles.¹⁷ Schindler Elevator taps into a technology ecosystem surrounding IoT, including GE's Predix platform, to bring its customers new services around building management. And Grubhub, Postmates, Shufl, and Uber connect merchants and couriers to orchestrate a delivery network dynamically.
- › **Building a platform-based marketplace to connect buyers and sellers.** In this model, companies build the platform infrastructure to enable buyers and sellers to trade, letting customers choose products from multiple suppliers in an open environment. Marketplaces like Alibaba, eBay, Etsy, and SupplyOn enable an outcome faster, easier, and often cheaper than was previously possible, connecting supply to demand in an exponentially scalable way.¹⁸ Not every company can create a marketplace, but for those that can, the ability to unshackle customer and revenue growth from physical assets and human capital offers the potential for exponential growth.

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- › **Offering capabilities-as-a-service to create value as a niche specialist.** Some companies expressly set out to offer modular B2B capabilities as services to other companies, enabling easy incorporation of a specific function into a third-party ecosystem. Dwolla designed its money-transfer protocol to be a service that banks would use. Capital One UK built an internal credit-scoring API, then realized it could sell it to other companies. Denmark's Saxo Bank licenses its trading engine to other firms through B2B APIs, gaining revenue from its trading platform and enabling its institutional customers to innovate on top of its platform.¹⁹

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FIGURE 3 Advanced Digital Businesses Partner In Digital Ecosystems To Create New Products And Services

Opportunity	Explanation	B2C examples	B2B examples
Partnerships to create new services	Companies combine their capabilities with those of other companies to create new ways to deliver improved customer outcomes.	BMW partnered with rental company SIXT to create the DriveNow carsharing service. Insurer Aviva partnered with HomeServe to detect water leaks before they cause damage. Grubhub, Postmates, Shufl, and Uber connect merchants and couriers to orchestrate a delivery network dynamically.	Schindler Elevator taps into a digital ecosystem around the internet of things, including GE's Predix platform, to bring its customers new services around building management.
Digital marketplaces	Companies build digital platforms that match buyers and sellers, often without owning the underlying assets. These marketplaces focus on enabling an outcome faster, easier, and often cheaper than was previously possible.	Amazon sells and takes payment on other sellers' inventory. Hong Kong's GoGoVan uses drivers' vans for delivery. Rakuten uses the power of personalization to broker shopping experiences between sellers and individual consumers.	Alibaba, AWS, and Salesforce are leading marketplace vendors for software. Arrow Electronics and Newegg provide retailer and distributor marketplaces. Vertical-specific examples include Fisher Scientific in life sciences and pharma and GoDirect Trade in aerospace.
Capabilities-as-a-service	Companies use APIs to offer modular B2B capabilities as services to other companies, enabling easy incorporation of a specific function, such as advertising, fulfillment, payment, or customer care, into a third-party ecosystem.	Stripe offers retail payment services to small businesses. Dwolla designed its real-time money-transfer protocol to be a service that banks would use. Capital One UK built an internal credit-scoring API, then realized it could sell it to other companies.	Denmark's Saxo Bank licenses its trading engine to other firms through B2B APIs, gaining revenue from its trading platform and enabling its institutional customers to innovate on top of its platform. Mastercard's MATCH API lets banks collaborate to blacklist risky merchants.

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Increase Your Strategic Maturity To Drive Business Growth

Identifying good opportunities to grow your business is relatively easy. Taking advantage of those opportunities is far more difficult and requires extensive change to your company's strategy, culture, structure, talent, and technology. As a digital leader, you must help your firm continually evolve its business strategy to create and deliver value for customers using digital capabilities. Three further strategy reports in this playbook will guide you through three phases of digital business maturity (see Figure 4):

- › **Beginner: Establish your strategy.** Begin your strategy journey by establishing components like your vision, customer journey and business capability maps, and business cases that you need to kick-start digital transformation and start improving customer experiences and delivering operational excellence.
- › **Intermediate: Evolve your strategy.** As your strategy matures, break down departmental and product-line silos and restructure business units around customer outcomes. You will need to establish a new operating model that can respond and adapt to changing customer needs. You will start sourcing more capabilities from partners and start divesting noncore capabilities.
- › **Advanced: Innovate and disrupt.** As technology becomes fundamental to your business success, you will need to develop more flexible and responsive business operations and planning processes that enable you to partner with a range of other businesses and pursue multiple disruptive business opportunities. You will have to work with your CFO to revolutionize your company's accounting, funding, and planning processes.

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FIGURE 4 Strategic Focus Changes As Digital Businesses Mature

	Beginner	Intermediate	Advanced
Strategic focus	Extend value of existing products.	Create new revenue models.	Seek disruptive business models.
Value delivered to customers	Improved customer experiences	Improved outcomes	New paths to outcomes
Impact on business operations	Incremental operational improvements toward efficiency	Major operational changes drive agility and improved customer outcomes.	Responsive and flexible business operations, implementing new value streams and collaborative partnerships
Impact on profit and loss structures	No impact on existing business units and P&L structures	Restructure P&Ls around customer outcomes.	New P&Ls compete with traditional
Impact on people	New skills for customer experience and application development (journey mapping, design thinking, Agile). Pilots for iterative delivery methodology	New technology-specific skills, such as data science and AI, and competencies, such as sourcing and external collaboration, third-party management, continuous delivery, and integration	New skills for digital platform development and evolution, external resource orchestration, and innovation pipeline management
Impact on technology investments	Technology as an enabler of improved customer experiences and cost reduction	Technology as an enabler of revenue growth and transformation	Technology is central to revenue growth.
Technology architecture	Distinct technology strategy for digital initiatives. API enabled to isolate legacy. Focus on systems of engagement.	Coherent, end-to-end technology strategy for the business. Cloud becomes the common standard. Data-centric, using systems of insight	Platform architecture designed into core of business. Focus on rapid experimentation with emerging technologies.

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Recommendations

Rethink Your Strategy To Become A Digital Business

Digital technology changes both the products and services you deliver to your customers and how you deliver them. The only open questions are how well you adapt to meet the needs of your customers and how you make money doing so. Use Forrester's IDEA framework to guide you as you explore, create, and execute your new business strategy.²⁰ Experimentation and iteration is vital. Some new ventures are bound to fail, while others could grow to become your firm's future business model. To separate the good ideas from the bad, you must:

- › **Start with your customer outcomes and your assets.** Don't start by thinking about your current business. Think about your customers: What outcomes do they value? What's their biggest problem? Alternatively, think about your assets — partnerships, manufacturing plants, institutional competencies. In what new ways could you apply those assets in a world of mobile moments? Where can you generate new value or use dynamic pricing to grow revenue? Where can you use technology to be more efficient? If your products aren't connected, can you bring them online to layer services or help customers meet their true needs through apps?
- › **Embrace the rules of digital business.** Your strategy must encompass the four rules of digital business: deliver world-class digital experiences, focus operations on things customers value, build platforms and partnerships to accelerate and scale, and innovate at the intersection of experience and operations.²¹
- › **Establish a continuous planning process.** The process of planning is more important than the plan itself. As Dwight D. Eisenhower once said, "In preparing for battle, I have always found that plans are useless, but planning is indispensable."²² Your strategy won't be a roadmap or a final plan. Instead, you must set out the choices you can make today to bring about your future vision for your business. Because digital business is a journey, not a destination, strategic planning must be continuous and iterative. Strategy execution is as much about changing the ways your company works as it is about a specific set of initiatives.
- › **Design for moments.** Designing for moments allows you to right-size digital experiences and engage your customers proactively with relevant services or content that removes friction from their processes.²³ Your customers don't want to have conversations with you. Nor are they asking for mobile apps, websites, or notifications. They simply seek peace of mind or convenience in accessing information or completing tasks. Know their habits and context because you want to serve them. Know what tasks they care about, what actions they want to take, and what information they need to feel confident in taking that next step. Finally, assess whether you can charge for this additional service.

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- › **Rent what you need; own what you must.** Don't expect to have all the equipment and skills you need. Rent servers and software. Hire expertise. A horde of technology and service providers and platforms are out there to help.²⁴ But don't abdicate responsibility for the essential components of the applications and platform. Hire for critical roles like product managers, customer experience designers, data scientists, and lead technologists. Transfer skills from your partners to your staff. Establish long-term relationships with trusted partners where you pay for successful outcomes, not just completion.
- › **Be ready to launch, learn, and adjust.** Perfecting design is an impossible dream. Expectations are constantly evolving, requiring design to continuously evolve. That's why Forrester emphasizes the importance of agile, multidisciplinary teams of product managers, product marketers, developers, designers, and technology professionals working in two- or three-week sprints and a continuous improvement cycle. Feed these product teams with timely data on how real customers use your products, and accept that they will need to keep iterating as customer expectations change. Your role as a digital business leader is to manage other senior stakeholders for whom the concept of iterative delivery is still alien.

What It Means

New Digital Business Models Mean New Rules Of Business

As eBusiness and Channel Strategy leaders embrace and develop new pricing and operating models like P2P ecosystems, the implications for their businesses will be far-reaching. In the short term, many established businesses will see new digital revenue streams deliver small incremental gains. As firms begin to shift their revenue models away from the traditional toward models like those outlined in this report, digital business leaders will find that:

- › **Business model, customer experience, and product strategies are intertwined.** Digital business forges an intrinsic link among your business model, customer experience, and product strategies. All have an impact on technology design. This is a fundamental shift for both digital business leaders and their technology management counterparts, demanding an ever-tighter working relationship to transform how their firm designs, develops, and delivers new products and services as well as the technology needed to underpin these. The foundations of this shift are next-generation software architectures that embrace the cloud, faster development of new products, and continuous improvement methodologies.
- › **Traditional accounting approaches will fail.** Embracing new operating models like the sharing economy, renting services on a pay-as-you-go basis, and leveraging software-as-a-service platforms mean that cost structures change. Budget allocations for assets like software or supply chain will shift from capex to opex as digital business leaders buy services on demand. Revenues

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will shift from one-off purchases by customers to lease-based models where customers pay for access and services. This will undermine traditional business performance metrics like return on capital employed.

- › **Narrow metrics make new business models look lackluster.** Many digital business leaders will find that shifting to consumption-based pricing lowers the revenue they see on a given transaction, as customers pay only for what they need. Isolated product or transaction metrics will fail to demonstrate a wider success story. Metrics like customer lifetime value, retention, and wallet share will become vital to demonstrate overall success as firms pivot their revenues from traditional sources to new, digitally driven ones.
- › **Data is an undervalued, intangible asset on the balance sheet.** Data underpins digital business models, which make data an asset that has value and that demands protection. This introduces new risks. It also creates opportunities to both monetize and value data differently, as Cambridge Analytica made famous by harvesting Facebook and third-party data to resell for political elections.²⁵ Few firms list data as an intangible asset on their balance sheet — yet. As more firms embrace new digital business models, accounting practices will have to adapt.

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Supplemental Material

Companies Interviewed For This Report

We would like to thank the individuals from the following companies who generously gave their time during the research for this report.

Dialexa

Persistent Systems

EPAM

Publicis Sapient

Huge

R/GA

KPMG International

SupplyOn

Mirum

VMLY&R

MU/DAI

Wipro

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Endnotes

- ¹ It may not be possible to act upon the insight captured from customer interactions because of disjointed systems and processes.
- ² In his book *Digital Disruption*, James McQuivey writes, “When consumers adopt new technologies, they do old things in new ways. Once they internalize a technology, they do new things.” Source: James McQuivey and Josh Bernoff, *Digital Disruption: Unleashing the Next Wave of Innovation*, Amazon Publishing, 2013.
- ³ First, Uber uses location to identify the amount of demand and capacity in a local area: If capacity exceeds demand, prices drop; if demand exceeds capacity, prices increase to attract more drivers. Everything from taxis to umbrellas and rubber boots is more valuable when it’s raining — especially if the rain wasn’t forecast.
- ⁴ AliveCor doesn’t just sell a mobile phone attachment that takes electrocardiogram (EKG) readings; it also offers on-demand analysis to those willing to pay. Source: AliveCor (<https://www.alivecor.com/>).
- ⁵ When combined with weather data, the grid efficiency increases.
- ⁶ John Deere discovered this when it focused on helping farmers deliver the outcome they desire most — high crop yields. By analyzing data from thousands of farms and integrating other climate data, John Deere now offers farmers a digital operations center for their farms to help each farmer maximize the yield per acre. John Deere’s APIs in field sensors, tractors, and farm data foster optimization of farm operations — whether in combination with John Deere’s operations center application or an application of the farmer’s choosing. For customers or firms with John Deere Field Connect monitors, an authorized API call will read soil moisture, air temperature, growing degree days, moisture change, solar radiation, and more. Source: “John Deere Field Connect API Overview,” John Deere (<https://developer.deere.com/#!documentation&doc=FCindex.htm>).
- ⁷ Rolls-Royce realized its customers would value a new way to have their engines serviced and repaired quickly. Using digital sensors on the engines and round-the-clock monitoring of in-flight data, Rolls-Royce can provide maintenance crews with valuable data they need to repair engines faster. Now, instead of just selling engines and parts, a major portion of Rolls-Royce’s business comes from leasing engines and providing maintenance for airlines.
- ⁸ A digital twin is a virtual copy or model of a real, physical object in an abstracted, digital form that acts as a proxy for all communication to an actual device. See the Forrester report “[The Digital Twin Accelerates IoT Development](#).”
- ⁹ Professional services like healthcare, therapy, psychiatry, health and sports coaching, and teaching are often delivered in person due to the need to observe, collect data, or maintain privacy and are typically sold by the hour at premium rates due to the scarcity of expertise.
- ¹⁰ Companies like Apple, Google, and Microsoft are developing platforms that allow consumers to share their health data, while individual apps are opening APIs to allow consumers to share even more data from their car, home, and financial services. See the Forrester report “[How To Embrace New Digital Business Models](#).”
- ¹¹ In the past, industries like insurance and rentals have priced products or services based on usage assumptions or the expected lifetime of a product. A persistent stream of data from connected products offers new opportunities. Businesses can monitor people and products through connected sensors synced to smartphones or wireless networks.
- ¹² Progressive Insurance’s Snapshot product plugs into customers’ in-car OBD-II (the second generation of on-board diagnostics) port to monitor speed, acceleration, braking, and mileage. The app also helps drivers learn to drive more safely. Progressive discounts their insurance as a reward.
- ¹³ Source: Metromile (<https://www.metromile.com/>).
- ¹⁴ Source: Sy Mukherjee, “The Digital Pill Era Is Here—And It Could Help Solve a \$300 Billion Health Care Problem,” *Fortune*, November 15, 2017 (<http://fortune.com/2017/11/14/fda-digital-pill-proteus-otsuka/>).

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¹⁵ Source: “Our History,” Corteva Agriscience (<https://www.corteva.com/who-we-are/our-history.html>).

¹⁶ See the Forrester report “[Case Study: Luxasia Builds An Omnichannel Platform For Luxury Brands In Asia Pacific.](#)”

¹⁷ Source: Fred Lambert, “BMW and Mercedes-Benz partner on next-gen autonomous vehicles,” Electrek, February 28, 2019 (<https://www.electrek.co/2019/02/28/bmw-mercedes-benz-partner-autonomous-vehicles/>).

¹⁸ Not every company can create a platform business model, but for those that can, the ability to unshackle customer and revenue growth from physical assets and human capital offers the potential for exponential growth. Digital platforms give firms unprecedented opportunities to create highly scalable and profitable revenue streams. Lyft’s platform matches supply and demand. Consumer platforms such as Alibaba, Amazon, Apple, eBay, Facebook, Google, and Tencent give developers tools to build services on their platforms. Cisco, GE, and Salesforce build platforms for businesses.

Airtel partnered with Visa to scale the service to 20 African countries, delivering 53% growth in money transfers in Africa in 2014.

¹⁹ See the Forrester report “[The Digital Banking Imperative.](#)”

²⁰ This report explains how to apply the IDEA (identify, design, engineer, and analyze) cycle to transform customer experiences with mobile. For more information, see the Forrester report “[Mobile Moments Transform Commerce And Service Experiences.](#)”

²¹ Digital innovators are rewriting the rules of business. See the Forrester report “[Digital Rewrites The Rules Of Business.](#)”

²² Source: Dr. James McGrath, “Quotation 64: Dwight D. Eisenhower On Why Plans Are Useless But Planning Is Essential,” The Little Book of Big Management Wisdom, O’Reilly (<https://www.oreilly.com/library/view/the-little-book/9781292148458/html/chapter-079.html>).

²³ See the Forrester report “[The Definitive Guide To Forrester’s Journey Mapping Research.](#)”

²⁴ See the Forrester report “[Spark Sustainable Innovation With The Right Transformation Partner.](#)”

²⁵ Source: Alexandra Ma and Ben Gilbert, “Facebook understood how dangerous the Trump-linked data firm Cambridge Analytica could be much earlier than it previously said. Here’s everything that’s happened up until now.” Business Insider, August 24, 2019 (<https://www.businessinsider.com/cambridge-analytica-a-guide-to-the-trump-linked-data-firm-that-harvested-50-million-facebook-profiles-2018-3#what-did-cambridge-analytica-do-1>).

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