



6 Steps to Digitize a Business

Content

› Abstract	2
› Don't fall behind, drive forward	3
› 1. Solve a Problem, do not sell Products	4
› 2. Focus on providing Value and creating an Experience	5
› 3. Clean up and make Things easy again!	6
› 4. Use existing Technology	7
› 5. Focus on (hidden) Needs	8
› 6. Create an Ecosystem	9
› About the Author	11
› About ITONICS	11

Abstract

” Digitization is disrupting industries, labor markets, and the global economy. Embracing the digital change and developing innovative cutting-edge business models can be a daring endeavor. Many companies struggle to set a digital strategy, shift organizational structures, and remove the barriers that are keeping them from maximizing the potential impact of new digital technologies.

” This whitepaper provides 6 steps on how to digitize any business along with examples towards the approach.



Don't fall behind, drive forward

More and more execs that I talk to are worried about the speed of digitization. Within a couple of years startups like Airbnb, Uber or Spotify have globally disrupted the well-established hotel, taxi, and music industries. Amazon has attacked their most important suppliers – the last mile logistics companies. Not to mention, Apple killed the mobile phone makers and their business models within a couple years.

After using Uber in Dallas and the Bay Area I found that none of the operators – even in Uber Blacks – would think of using any built-in multimedia system. [The smartphone does it all: navigation, music, traffic data, payment, customer feedback, etc.](#)

It seems that the auto industry has already lost the race for driver support systems. Only huge investments and a radical shift away from “pure auto thinking” will work for the innovative auto OEMs.

So, what to do about all that?

Getting a Chief Digital Officer on board will not be enough, that's for sure. Based on my experience during many projects over the past years I have compiled 6 steps on how to digitize any business along with examples towards the approach.



1. Solve a Problem, do not sell Products

Looking at how products are presented and sold still the emphasis seems to be on the product itself and not on the problem it is solving. Nobody wants to rent a DVD, but watch a great movie – wherever they are, 24/7. You sometimes fall asleep during a movie and want to pick up watching the next day in a different location on a different device (on the iPad in a hotel room).



Netflix and Amazon (and Apple iTunes, a bit) solve the problem of having all media you love or want to explore with you all the time around the globe. And they guarantee a slick and seamless experience. Same is for Spotify on music of course: At home, on the road, in the air – your favourite music is always with you.

Another example for problem-solving instead of just selling a product is Sonos: Setting up a stereo system at home includes a massive amount of cables and in each room, you need a device to play your CDs or listen to radio or a jack to connect your smartphone. With Sonos, you get perfect sound after a couple minutes of setup, no cables (aside of electricity of course) and you can control each room individually by just using your smartphone. Every radio station around the globe is in there plus your local music files and Spotify, Apple Music etc. So even very non-technical users can now get perfect sound in their home within minutes. With traditional stereo systems, you always had to go cable shopping and you would find yourself wondering where to put all these cables around doors and windows. Not anymore, problem solved.

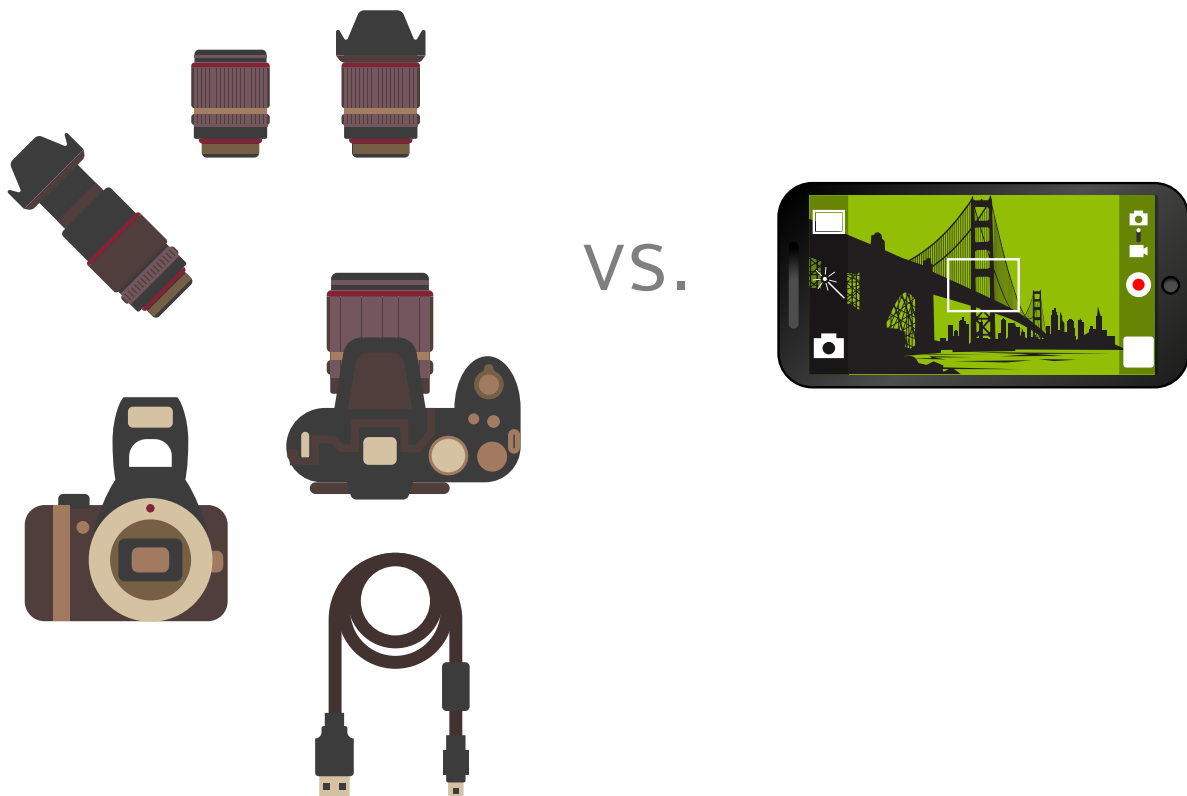
Nespresso e. g. solves the problem of “I do not want to measure the exact amount. I do not want to wait for the brew. I do not want to clean up afterwards. I want a good coffee right now.”



2. Focus on providing Value and creating an Experience

Now, I love taking and sharing photos. My smartphone does an OK job here. Sure, I would prefer a “real” camera. I don’t care about all of the specs but I care about great photos. And I want easy editing and sharing of these with friends and family. But what do I get in today’s “real” cameras? A lot of mega-pixels, displays not really giving you an idea of the picture quality (unless you are a pro), and image processing software on your PC in which you need a 6 week training to even understand the basics. That’s why 80% of the tourists that I saw at the Golden Gate Bridge

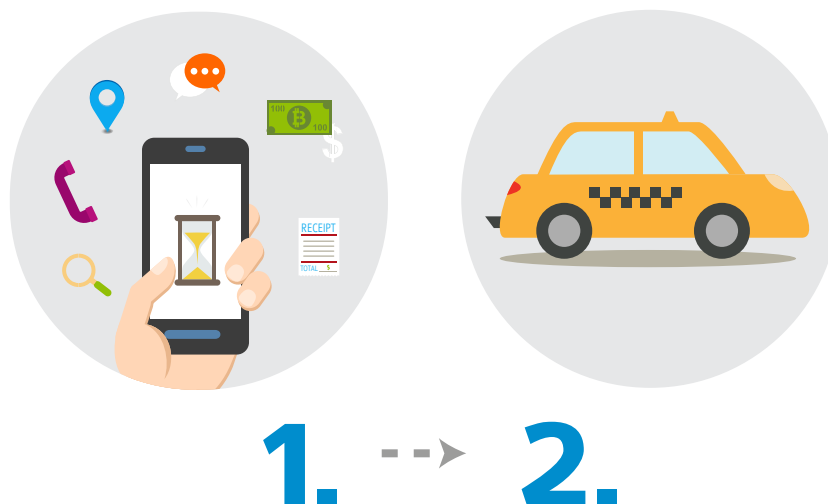
were taking pics with their smartphones. Shitty ones, but it’s easier than using a real camera. So please, makers of great cameras: [let me use my smartphone](#) to process the pics straight away and share them instantly. Create an integrated experience and selfie sticks for real cameras instead of the crappy front camera on smartphones! All the existing solutions I found are still not slick and easy and the pics do not show up straight away in Google Photos – there must be a way to solve this problem and create a great experience.



3. Clean up and make Things easy again!

The typical flow of getting a cab in any city around the globe looks like this: call the cab company (if you know the number), tell them your location (if you know where you are), ride along, pay, ask for a receipt and leave the cab at the destination. The following steps are annoying and not creating any value: call the cab company, tell them your location, pay, and ask for a receipt. Uber does all that on your smartphone

automatically and creates a much better user experience. It tells you how long you'll have to wait, it knows exactly where you are, it can calculate the cost of the ride and it tells you the drivers' evaluation. Simply leave the car at the destination, receipt comes by email, payment is fully automated. Take a look at your "as-is" process framework and ask yourself: [what is really necessary](#) and [what how can it be digitized?](#)



4. Use existing Technology

I am always impressed by the amounts of money people are willing to pay for integrated navigation systems in their luxury cars even considering how bad these integrated systems still are. The voice recognition works much better than years ago but still it takes quite some time to fire up the system – and you need to know where you want to go, of course. What it still can't do is simply read my online schedule and pick the addresses I am heading to today. It cannot identify automatically if I am taking a train, a rental or my own car. Google can. So please car makers: Could you integrate smartphones instead of terrible imitations of these? Dear supermarket operators, give me a simple smartphone clip to hold my phone at the cart. Having that, I would have one hand to actually put stuff into the cart. Right now I am pushing the cart with hand one and staring at the shopping list on my smartphone with hand two. How do you think I shop?

The German train operator Deutsche Bahn is using custom devices like this for their staff:



The device is online, can scan tickets and has some interaction options. The Deutsche Bahn ordered > 12K of these.

The Swiss SBB in comparison decided to use this device:



A smartphone with some dedicated apps. And at least my experience tells me that the SBB solution works slicker, faster and more reliable than the custom solution of Deutsche Bahn. Not even to mention the investment, the upgradeability and the weight.

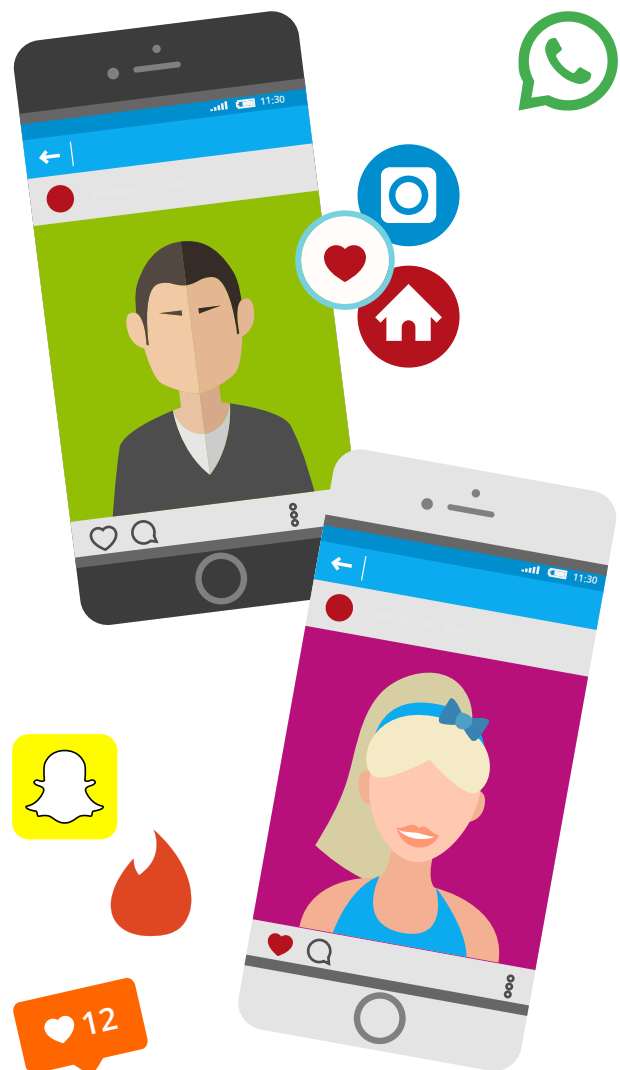
There is a lot of tech available including sensors, data transmission tech, open source platforms, and all kinds of connected consumer devices. [Making use of something already available is oftentimes the faster way to market than developing proprietary solutions.](#)

5. Focus on (hidden) Needs

Every time I rent a car I expect a terrible experience. Really, the only thing I want is to arrive at the airport, go to the car I rented (perfectly directed on my smartwatch), jump in and start the ride. The reality is that every rental car company has created their own proprietary process that you as a client have to follow. Sometimes you need to sign 3-5 times, you can select additional insurance, sometimes the car is filled up and sometimes not (Spain is just great at that). Digitized, slick and integrated experience? Of course not. Most of the time you do not even know what car they give you until you have the keys in your hand. Car2Go, Flinkster and DriveNow are a couple examples on how the need of individual transportation can be addressed in a slick and even fun manner. DriveNow e. g. lets you ride a BMW i3 or a Mini convertible if available and I can tell you both are quite fun!

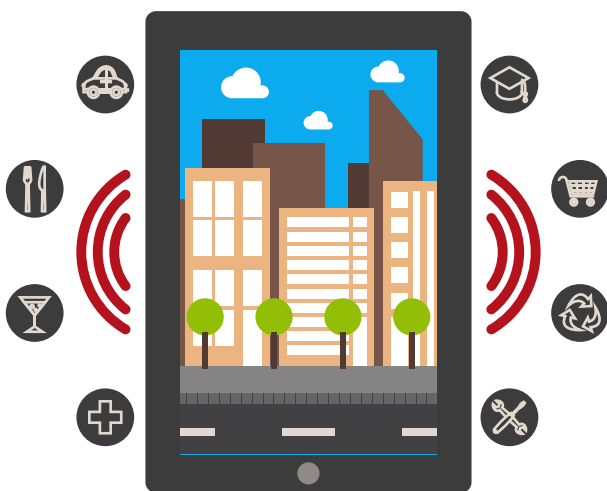
Same as for rental cars is for hotels. I oftentimes queue in to check into my room. For what reason exactly is that good for? Last week I was at a large company in the US and they had a fully automated visitor registration process. You type in your first and last name on a touchscreen and the system welcomes you, informs the person you are visiting by SMS and provides Wi-Fi login data. The poor guy behind the counter had only one thing to do which was hand me the visitor badge. And even that could be automated. The service within the lobby was fantastic with coffee, Wi-Fi, water and sodas, all operated by the human who would have to do stupid registration processes before.

Addressing a need, especially when it is a need that ourselves would not think of or be able to express is probably the hardest part in innovation. Whenever a company was able to fulfil a real need, success was not far. Take Tinder for example. Even in the very dense online dating market, there was a niche for a radical approach. Same for WhatsApp or Snapchat. Both identified hidden needs at the human to human interface and covered them.



6. Create an Ecosystem

When evolving from a pure products business to a services and solutions business it helps to [look at trends and some players in the platforms and ecosystem business](#). Check24 has created a platform to compare nearly everything from insurances to rental cars and vacations. The integrated booking functionalities make them huge revenues. On eBay the world buys and sells stuff very slick and easy. Apple, Google, and Amazon pull customers into an integrated experience of entertainment, media, communication, knowledge and fun.



Trends like the Sharing Economy, Crowdfunding and Crowdsourcing require platforms to match offering and demand in a dynamic and real-time manner. [Based on a successful platform – like an app store or a peer to peer ride sharing service – a full blown ecosystem creating sustainable revenues can evolve.](#)

Now all the mentioned examples seem very B2C and managers in B2B businesses often-times ask me how to apply the above learnings in their industry and business model. We see huge opportunities in two focus areas for B2B:

- Digitize business processes to speed up towards a real-time business. Reduce time, save money and speed up the business. Allow for higher flexibility in your processes, react faster to changing demand and make life easier for your employees, business partners and clients.
- Create new services and business models by making products smart, by processing big data you already have or you could easily retrieve from your existing products and services. Sell solutions, charge by problems solved and not by the product itself.

I believe now is the perfect time to get all this started. Not every initiative is guaranteed to succeed. The more we try the more we learn and the better results we'll see in the future!

About the Author



Dr. Michael Durst completed a PHD at the FAU Erlangen-Nürnberg on the topic “Value-Oriented Management of IT Architectures” and has been a management consultant to numerous Fortune 500 companies in the area of innovation and technology management. From 2007 to 2009 Mike managed the “Innovations and Research” department at adidas GmbH. Then he was Professor for Business Informatics at the FOM University for Economics and Management and today he is Managing Partner of ITONICS GmbH.

// michael.durst@itonics.de

Big Thank You to Thomas Beauvais and Caro Durst for the fantastic input and ideas!

About ITONICS

Since 2009 ITONICS has been the only provider in the area of innovation management to offer an end-to-end integrated approach: from environmental scanning to trend and technology management right through to innovation portfolios and roadmaps. Our company offers you methodology, best practices, consultancy and software as a one-stop shop – we look forward to talking to you!

ITONICS GmbH | Emilienstr. 9 | D-90489 Nürnberg | T +49 911 60060550 | www.itonics.de

