

The ROI Of Digital Business Transformation

Business Case: The Digital Business Transformation Playbook

by Martin Gill

November 6, 2015



Why Read This Report

Firms are investing hundreds of millions of dollars in the wholesale transformation of their customer experience, organization structures, processes, technology platforms, and measurement structures in order to achieve a new level of customer centricity and agility. eBusiness professionals on the digital business journey are seeing very positive results. This report outlines some of the tips, techniques, and frameworks that help justify digital business investment; it also shares some real-world examples of the results that firms are seeing.

This is an update of a previously published report; Forrester reviews and updates it periodically for continued relevance and accuracy. We revised this edition to factor in new data and examples.

Key Takeaways

Digital Business Transformation Is A Major Investment

Getting digital business “right” involves a significant investment. Leading firms are spending hundreds of millions of dollars on overhauling all aspects of their businesses in order to become more customer-centric and digital to the core. Don’t expect any shortcuts.

Experiment To Find The Big Wins

Adopting a test-and-learn approach to rolling out digital business initiatives is a proven way of identifying the key cross-touchpoint experiences that make the most difference to a firm’s bottom line. eBusiness executives should leverage well-measured trials and proofs of concept wherever possible.

Build A Business Case On Multiple Dimensions

The success of digital business transformation can be measured via a number of metrics, including increased revenues, reduced costs, improved time-to-market, or enhanced differentiation. eBusiness executives must measure all of these dimensions if they are to build a robust and compelling business case.

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Forrester used data from the North American Consumer Technographics® Online Benchmark Survey (Part 1), 2015, and the Global Business Technographics Marketing Survey, 2015.

Related Research Documents

[Powering The Agile Store](#)

[The Total Economic Impact™ Methodology: A Foundational Framework For Investment Decisions](#)

[Use Cross-Channel Attribution To Understand Marketing Effectiveness](#)

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Embracing Digital Business Means A Significant Investment

Creating a compelling, customer-obsessed vision is a critical first step on the digital business journey. But once you have developed and communicated that vision, your next real step is to secure funding. Every organization has its own way of approving investments, and while eBusiness professionals seeking to justify their digital business transformation must learn to play their own corporate funding game, there are common themes. Large-scale transformation is likely a multiyear proposition demanding approval at the highest level in the organization. Building a robust and comprehensive business case is vital if eBusiness professionals are to justify such an expense against the myriad of other critical investments that most businesses must choose from.

In some sectors, the case is more obvious than others. For instance, retail eBusiness executives can easily enumerate the revenues that eCommerce brings in; those in media firms are often seeing their entire fulfillment and distribution operation become digital. eBusiness executives in other industries, such as retail banking or insurance, should look to their counterparts in retail firms for inspiration as they build their own business cases.

Be Under No Illusions — Digital Business Doesn't Come For Free

Implementing a digital business strategy can be a formidable undertaking for many eBusiness professionals. Firms like Home Depot and Marks and Spencer are placing big bets on their digital futures, investing hundreds of millions of dollars into transforming all aspects of their businesses in their quest to embrace digital business — from their web presence to their store systems to their supply chain and warehousing. eBusiness professionals should approach building a digital business strategy with their eyes wide open to the potential scale of the investment. Here are some examples of digital business transformation investments:

- › **B&Q's "Darwin" program creates a multichannel platform for other group companies.** European firm Kingfisher owns a number of DIY brands and is building "a market leading eCommerce, mobile and assisted selling capability in-store, using web based technology."¹ Kingfisher kick-started the £60 million project in the B&Q brand but is building the solution in such a way as to be reusable by other group companies. This group-level investment allowed Kingfisher to launch B2B brand TradePoint in a cost-effective manner, and the expansion has paid back in less than two years.
- › **MetLife's Wall provides a 360-degree view of the customer.** Part of a \$300 million investment, the new Metropolitan Life Insurance (MetLife) Wall is a portal that provides its customer service representatives with a complete view of the customer, enabling them to provide quicker and better service.² Previously, customer service representatives had to navigate between 70 legacy systems across 15 different screens.³ The Wall combines these systems into one interface showing all of the interactions each customer has had with MetLife across all of its touchpoints, as well as claims and policy updates.

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- › **Saks Fifth Avenue invests to create “One Customer.”** US high-end department store Saks Fifth Avenue, which Hudson’s Bay bought in 2013, is investing more than \$100 million in its One Customer initiative, delivering a single CRM system for all touchpoints, a single global inventory system, and a consistent cross-touchpoint attribution model. Saks comprehensively trains employees to ensure that they can take full advantage of the new technologies. Michael Burgess, president of Saks Direct, said that store sales associates who are equipped with tablets consistently over-perform on their sales goals.⁴ Saks has transformed its in-store compensation model to support this digitally enhanced approach, rewarding store associates with commissions on the products they help their customers buy online.
- › **The Australian government invests to digitize public services.** The Australian Commonwealth government is committing \$254 million to transforming public access to drive innovation and make it easier for individuals and businesses to access government services.⁵ This first phase of an ongoing transformation will establish a Digital Transformation Office to champion customer-centric design of new services, as well as some core underpinning services like identity management and authentication. But rather than just manage transformation as one behemoth project, it’s also using vehicles like hackathons to co-create innovation.⁶
- › **Royal Bank of Scotland champions a customer-centric approach.** Royal Bank of Scotland is channeling more than £1 billion into a number of key digital initiatives. These include the digitization of branches with Wi-Fi and iPad banking, the implementation of a more customer-centric architecture to deliver richer personalization, and a comprehensive view of customer interactions across the organization as well as an overhaul of legacy systems of record to support a digital operating model.⁷ This underpins a move toward a more customer-centric operating model where branches are positioned as “advice and education” centers.⁸

Guide Strategic Transformation With Tactical Pathfinding

While strategic transformation demands large-scale investment, such major programs are problematic. Many firms still struggle to manage change on a large scale, and in today’s fast-paced environment, few if any eBusiness professionals can genuinely be sure that what they are planning today will be right three years from now.⁹ Speed-to-market and experimentation are the cornerstones of digital business transformation. This fact is recognized by the 60% of eBusiness professionals who plan to increase their innovation spending in 2015 compared with their 2014 budgets.¹⁰ Taking measured risks by adopting a test-and-learn approach to launching new digital innovations can deliver significant benefits for a fraction of the cost of a full-blown transformation. eBusiness professionals who are building business cases for major, multiyear transformation programs are turning to small-scale pilots and trials as an excellent way of proving a business case, particularly when dealing with consumer adoption of new and emerging technology. For instance:

- › **EasyJet starts small to prove the case for mobile-enabled, allocated-seat boarding.** UK low-cost airline easyJet has been making significant improvements to its customer experience using digital touchpoints such as an enhanced website and mobile boarding. Rather than commit to

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costly rollouts across its entire fleet, easyJet trials new developments on selected flights. In the case of implementing allocated seating, easyJet initially piloted it on 11 flights per day, analyzing the results with a monthly “go/no-go” review to assess revenue uplift, impact on asset utilization (measured by plane turnaround time), cost per seat, and customer satisfaction.¹¹ When it had proved all aspects of the business case, it rolled out the improvement to the entire fleet.

- › **Audi City tests a new digital dealership model for new markets.** Audi's digitally enhanced London concept showroom, known as Audi City, is a completely digital sales experience.¹² As part of the design process, Audi mocked up the showroom in a warehouse in order to prove the concept internally with its executive team. Working in conjunction with design agency Razorfish, Audi has been able to monitor the results to identify the most impactful aspects of the experience. It is feeding this insight into a larger-scale rollout of the concept — both online and in new markets where Audi does not yet have an offline dealership presence.
- › **PostNord's Logistics Labs accelerate innovation.** Scandinavian logistics firm PostNord partnered with Capgemini to build a rapid prototyping capability on IBM's BlueMix cloud platform. This innovation accelerator helps PostNord take ideas from inception to live prototype in three-week iterations. Concepts like a dedicated digital service to help small businesses ship packages overseas can be rapidly built, tested, and scaled up if they are successful.¹³ The cloud platform not only accelerates the pace of delivery but also reduces the cost to deliver new services, making this kind of experimentation practical where it previously wasn't.

Digital Business Brings Benefits On Multiple Dimensions

Many firms struggle to measure the business case for digital business transformation in terms of cold, hard cash. For those that can, investments may be high, but so are the returns. For instance, Kingfisher is investing more than £60 million in B&Q's multichannel capabilities with a projected benefit case of £200 million.¹⁴ But we can't measure all the benefits of digital business transformation simply by examining a firm's P&L. Digital business transformation business cases often have multiple dimensions.

Digital Business Cases Plot Two Paths To Sustainable Growth

Some firms have wholly enlightened leadership teams that mandate top-down transformation and pony up the cash to deliver it. Most don't. It's likely that as an eBusiness professional, you're in the latter camp. Your role is to influence your executive peers and senior management to build an investment case. Many of these key stakeholders are beginning to understand the potential that a digital business strategy holds. As a consequence, the C-suite needs less convincing about whether it should make an investment or not; instead, there is more of a focus on understanding the urgency of transformation compared with other business priorities. Forrester found that to tip the balance in their favor and accelerate digital investment, eBusiness professionals commonly articulate one of two themes:

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- › **Customer obsession fuels growth.** Digital business cases can point to a wide range of benefits: increased sales, revenues, or profit; lower costs; and increased customer acquisition, retention, and satisfaction, to name a few. But making the case for investment demands more than just channel- or product-centric financial metrics. eBusiness professionals who maintain a separate “digital” P&L will struggle to measure the wider influence of digital on their overall customer engagement. Customer- and enterprise-level measures like Forrester’s Customer Experience Index (CX Index™) or metrics like customer lifetime value are vital here to tell an enterprise-level, not channel-centric, story.¹⁵
- › **Succumbing to digital disruption will result in failure.** It’s easy to spot firms that have failed to embrace the digital world. Blockbuster, Borders, HMV, Kodak, and many more failed to adapt to the changing behaviors of their customers, and in some cases, the businesses paid the ultimate price. Many of these firms were active in categories where the products and distribution channels themselves were digitally disrupted, but firms in other lines of business are not immune.¹⁶ Some eBusiness professionals have achieved valuable funding momentum by showing their C-suite how customers are changing and how old ways of doing business won’t guarantee future success.

In both cases, educating senior management on the importance of digital is critical.¹⁷ To build a business case for digital business transformation, eBusiness professionals must first work to educate their senior colleagues on how digital customer experience can drive growth and improved digital operational excellence can enhance their firm’s agility and lower their operating costs.¹⁸ One commonly repeated theme from interviews on this subject was “I wish I’d started educating my senior team earlier.”

Customer-Obsession Underpins The B2C Business Case

Forrester’s Consumer Technographics retail segmentation defines the increasing levels of sophistication of multitouchpoint shoppers.¹⁹ The most significant shoppers to consider when building a digital business transformation business case are Traditional Web Shoppers — those who only regularly buy online through traditional touchpoints such as a desktop or laptop — and Super Shoppers — those who regularly buy online through both traditional devices and mobile devices like smartphones and tablets. Super Shoppers spend significantly more online than Traditional Web Shoppers (see Figure 1). eBusiness executives who can provide compelling, multitouchpoint experiences to these high-value shoppers have an opportunity to capture a higher proportion of the Super Shoppers’ spend. In support of this trend, firms are finding that:

- › **Multitouchpoint shoppers commonly spend more.** Macy’s customers who shop across channels are eight times more valuable than those who shop in a single channel.²⁰ Halfords in the UK now fulfills 91% of its online sales through in-store pickup, driving customers into the store where they often spend more on upgrades and accessories.²¹ Multichannel customers of UK fashion retailer Superdry not only spend 2.6 times more than customers which just use a single channel but also have a retention index that is about 80% higher.²² This pattern is mirrored at many other multichannel firms, including Debenhams, John Lewis, Mothercare, and Walgreens.²³

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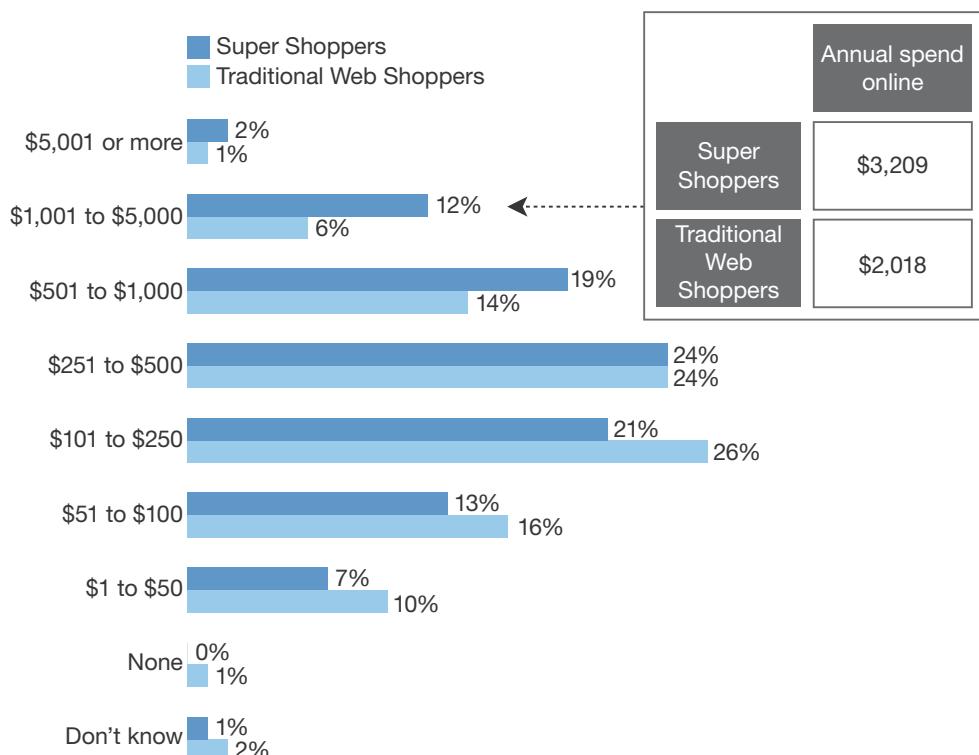
- › **Social shoppers are Super Shoppers.** eBusiness professionals in some fashion and lifestyle brands are reinventing social commerce — instead of treating social networks as transactional touchpoints, they are using the power of peer opinion to drive sales through traditional touchpoints. Beauty retailer Sephora manages its own Beauty Talk social forum. Beauty Talk members are worth, on average, twice what nonmembers are worth to Sephora, while heavily engaged “super fans” are worth 10 times that number.²⁴ Jewelry retailer BaubleBar embeds customers’ Instagram images onto its product pages instead of using reviews to drive conversion. According to Daniella Yacobovsky, co-founder of BaubleBar, conversion is four to four-and-a-half times higher for those customers who engage with these Instagram images.²⁵
- › **Digitally powered operations improve customer experience.** US apparel retailer Urban Outfitters rolled out a ship-from-store program across all 410 North American stores in 2012. In Q3 2012, it shipped \$23 million in orders from stores — more than 350,000 items in total. CEO Richard Hayne estimates that without this initiative, it would have lost half of that demand due to out-of-stock positions in fulfillment centers. It also reduced markdowns, improved its brands’ ability to plan inventory, and improved customer satisfaction.²⁶
- › **Digital stores are beginning to show benefits.** It’s still early days for many in-store digitization strategies, but the initial signs are positive. UK fashion retailer New Look has trialed in-store ordering kiosks in five stores. The trial stores showed more than 100% uplift in in-store orders, capturing orders from customers who were looking for products that were out of stock in the store.²⁷ Meanwhile, Belgian telecom retailer Telenet is seeing an increased average order value from customers who shop in its Antwerp concept digital store.²⁸ Redesigns of Disney stores, which include interactive touchscreen kiosks, helped boost sales and profit margins by 20%.²⁹ Deploying in-store technology across an entire retail chain can prove a major investment, but those eBusiness professionals who are taking a bold lead are seeing the seeds of a business case.

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FIGURE 1 Multitouchpoint Shoppers Spend More Online

"In the past three months, about how much in total (including shipping and handling) have you spent buying products online, regardless of how you paid?"
 (Please exclude financial products.)



Base: 46,570 US online adults (18+) who purchased products online in the past three months

Source: Forrester's North American Consumer Technographics® Online Benchmark Survey (Part 1), 2015

eBusiness Executives Still Struggle To Define The B2B Business Case

Business-to-business (B2B) companies know they can generate revenue and save money by migrating their offline customers online.³⁰ The question is, how much and under what circumstances? Even the most advanced and mature B2B eCommerce organizations struggle with channel conflict. They perpetually wrestle with how to balance letting customers order products online via a self-service eCommerce website and having a direct sales force place customer orders. But B2B firms that migrate their traditional customers to digital touchpoints find that:

- › **Digital customers are more engaged.** According to Forrester's research, 47% of B2B executives agreed with the statement that their migrated customers are more likely to become repeat customers than their offline-only customers are.³¹ Industrial product supplier Airgas operates in

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a competitive commodity market yet is reaping the benefits of an increasingly digital customer relationship. After a 2014 relaunch, its B2B eCommerce site generated double-digit sales growth, underpinning the company's overall performance.³²

- › **Digital customers spend more.** Sixty percent of B2B executives indicate that their customers spend more overall when they touch multiple channels.³³ Thirty-eight percent of B2B executives surveyed agreed with this statement: "Customers you have migrated from offline sales environments to online self-serve product purchase environments spend more money in total after they migrate online."³⁴ As a result, B2B companies are seeing average annual online sales growth of 19% in 2014.³⁵
- › **Digital customer support lowers operational costs.** Arguably, the most pronounced benefit associated with migrating customers from an offline environment to an online one is that it reduces costs — especially customer support costs.³⁶ Fifty-two percent of B2B eCommerce executives said that migrating formerly offline-only customers online reduced their customer support costs.³⁷ B2B companies can spend as much as \$25 to \$30 per phone call resolving customers' support issues, which are often simple questions that could be answered via targeted content like product specs and FAQs.³⁸ Cisco Systems reported that it used online support tools in 2012 to deflect more than 1 million support calls and save an estimated \$120 million in customer service expenses.³⁹

Digital Business Drives Revenues Up And Costs Down

Digital business transformation drives return on investment. Forrester's digital maturity model outlines four phases of increasing digital maturity.⁴⁰ Firms at the lowest level of digital maturity are in the "repair" phase and concentrate on building foundational digital capabilities. Firms at the highest level of digital maturity are in the "differentiate" phase and concentrate on driving enhanced value from their digital business strategy. Decision-makers at firms at this highest level of digital maturity are significantly more likely to report that their digital business strategy is driving tangible results (see Figure 2). eBusiness professionals who have adopted a digital business strategy find:

- › **Higher engagement and sales by encouraging customers to use multiple touchpoints.** While some eBusiness professionals continue to be mired in concerns over channel cannibalization, firms like Walgreens can confirm that "Multichannel customers are three times more valuable [than single channel shoppers]."⁴¹ Similarly, UK retailer Mothercare states, "Online customers spend twice as much as our store only customers and multi-channel customers spend twice as much again."⁴² eBusiness professionals must examine customer adoption of new touchpoints and model the effect of targeting, personalization, and engagement on transaction volumes at the customer level, across all touchpoints.⁴³
- › **Lower technology costs with platform unification and service enablement.** eBusiness professionals can lower development and operations costs by deploying core platforms and capabilities that are reusable across customer touchpoints. For example, supporting call center, mobile, and in-store customer touchpoints with a single commerce platform will reduce the

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overall cost of ownership compared with channel-specific technology. A common concern that digital business skeptics voice is the risk of increased costs, but in fact only 28% of eBusiness professionals in the most mature digital firms found their costs had gone up, while 38% found their costs went down.⁴⁴ A true digital business approach drives operational costs down by optimizing staff and technology costs across the enterprise.

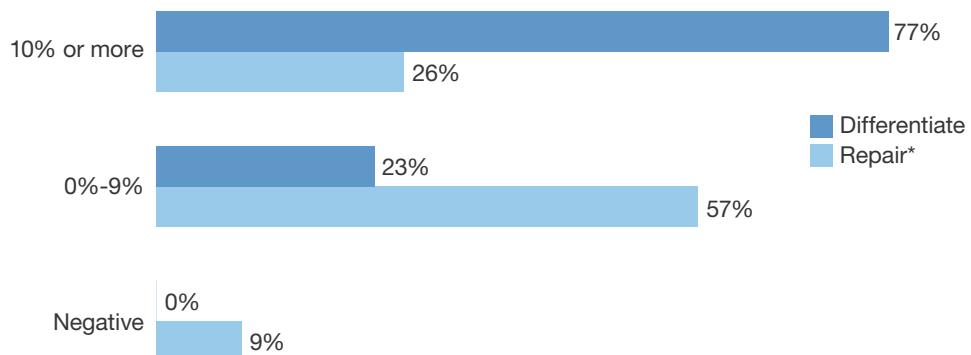
- › **Increased customer satisfaction by offering a digitally enhanced customer experience.** The impact of a poor customer experience is significant: 73% of US online consumers said if they had an unsatisfactory online shopping experience with a company, they would likely avoid the company's offline store.⁴⁵ Companies that shift away from a product-centric model to a more customer-centric approach with digital at the core see clear results. Bank of Ireland repositioned its mortgage portfolio away from a product sell by building digital tools that helped customers with the life event of moving house.
- › **Improved differentiation with faster time-to-market and increased flexibility.** A digital business strategy increases eBusiness professionals' flexibility to optimize the customer experience, add touchpoints, identify failing initiatives faster, and share operational and technology capability, all of which enable businesses to differentiate. UK retailer Argos' digital team has shifted from two major releases a year to a cycle of two-week sprints, revolutionizing the pace at which it can deploy new innovations to market.

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FIGURE 2 Digital Differentiators Ensure That They Can Clearly Demonstrate Their Successes

"Please estimate your firm's/organization's year-over-year revenue growth rate for 2014 (or the closest fiscal year for your firm)."



Forrester's digital maturity model benchmarks the progression of a firm's digital activities into one of four phases: repair, elevate, optimize, and differentiate. Firms in the highest "differentiate" phase are significantly more likely than those in the lowest "repair" phase to report higher revenue growth rates.

Base: 26 global marketing decision-makers at firms in "differentiate" phase

*Base: 23 global marketing decision-makers at firms in "repair" phase

Note: "Don't know" and "Prefer not to answer" responses not shown

Source: Forrester's Global Business Technographics® Marketing Survey, 2015

Brand- And Customer-Level Metrics Reveal The Real Value Of Digital Business

Ron Johnson, former president of JCPenney, may have failed to turn the company's financial fortunes around, but in an interview with the Harvard Business Review, he sums up the underlying value proposition of digital business, saying that firms must "[move] from a transaction mind-set — 'how do we sell more stuff?' — to a value-creation mind-set."⁴⁶ Value creation and differentiation can't be measured on a touchpoint-by-touchpoint or department-by-department basis. Firms must measure the success of a digital business strategy at the customer and brand level, and so eBusiness professionals must make the case to transform at that same level — not on an individual channel basis. To build a digital business transformation business case, eBusiness professionals must:

- › **Identify the critical measures that apply to their business.** Identifying how to measure the success of digital business transformation is the first key step in building a business case. The exact measures will vary by business, though commonly eBusiness professionals can identify potential benefits on four dimensions — increased revenues, decreased costs, improved customer satisfaction, and enhanced differentiation (see Figure 3). A range of measures exist within each

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dimension, and eBusiness professionals must focus on identifying those metrics that resonate most powerfully with their senior management. Ensuring that they create these measures at the enterprise, brand, and customer level, not the channel level, is critical.

- › **Measure both one-off and ongoing costs.** A successful digital business strategy is so much more than a technology transformation project. Digital business transformation orients around four key dimensions — culture, organization, technology, and insights. A digital business transformation business case must identify the transformation and ongoing operational costs across all four of these dimensions (see Figure 4).
- › **Use Forrester's Total Economic Impact™ methodology to calculate the benefits.** For many firms, being able to more flexibly and cost-effectively leverage future opportunities is one of the key benefits of digital business transformation. But this is a very nebulous concept for eBusiness professionals to evaluate. Forrester's Total Economic Impact (TEI) methodology builds on traditional financial-only metrics to evaluate flexibility, the creation of new opportunities, and risk as part of a holistic business case (see Figure 5).⁴⁷ By adopting a framework that can help evaluate the benefit of key digital business transformation concepts, such as improved speed-to-market, eBusiness professionals can make a more compelling business case.

FIGURE 3 Digital Business Cases Must Use Brand-, Enterprise-, And Customer-Level Metrics

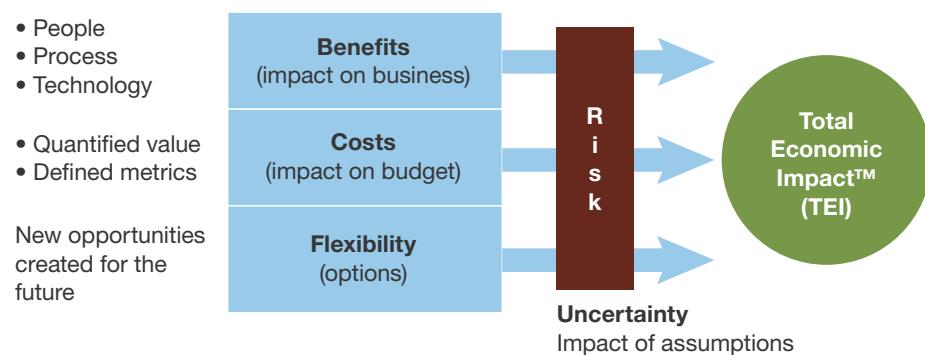
Revenues	Measured at the enterprise level <ul style="list-style-type: none"> • New customer acquisition • Customer retention • Sales revenues • Customer lifetime value (CLV)
Costs	Measured at the enterprise level <ul style="list-style-type: none"> • Transformation and program costs • Development cost • Technology operations • People costs (salary for new staff, changes to rewards and incentives)
Customer satisfaction	Measured at the customer level <ul style="list-style-type: none"> • Customer satisfaction • Net Promoter Score (NPS) • Reduced complaints
Differentiation	Measured at the enterprise level <ul style="list-style-type: none"> • Time-to-market for new initiatives (e.g., new product launch) • Time-to-onboard new customers • Brand health/equity

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FIGURE 4 Include Transformational And Operational Costs In Your Digital Business Case

Cost elements to include:		
	Transformational	Ongoing operational
Culture	<ul style="list-style-type: none"> • Education and training • Communications plan (creating videos, road shows, internal conferences, third-party support, etc.) • Third-party input (consultancy, external insight, etc.) 	Salary and people costs
Organization	<ul style="list-style-type: none"> • Reorganization and restructuring • Recruitment of new skills • Business process design • Customer journey mapping 	<ul style="list-style-type: none"> • Salary and people costs • Agency and outsource costs
Technology	<ul style="list-style-type: none"> • Touchpoint development (mobile, apps, Web, in-store, etc.) • Technology purchasing — software, infrastructure (servers, in-store devices, etc.) • Data model and integration/API design and implementation 	<ul style="list-style-type: none"> • Technology licensing and SaaS • Outsourcing services • Maintenance and break/fix for new touchpoints and infrastructure (particularly for stores/branches)
Insights	<ul style="list-style-type: none"> • Analytics (web analytics, social listening, mobile location analytics, store footfall, etc.) • Measurement changes (e.g., implementing NPS) • Changes to pay and rewards to reflect cross-touchpoint targets for brand associates 	Changes to pay and rewards to reflect cross-touchpoint targets for brand associates

FIGURE 5 Forrester's TEI Methodology Helps Firms Evaluate Opportunity Costs

Recommendations

Build Your Digital Business Case On Multiple Dimensions

Every digital business transformation business case is different. eBusiness executives must look internally to their own firm's policies, financial approval processes, and (most importantly) culture and political landscape to work out how best to justify a digital business transformation. There is no silver bullet that will work for every company. However, there are some common approaches and steps that eBusiness professionals can follow to improve their chances of funding:

- › **Begin by creating a platform for future transformation.** Before even considering building a multiyear transformation case, begin by developing a test-and-learn capability. Use cloud-based tools and open source accelerators to keep the costs down. Keep it cheap, under the radar, and with a minimum of capital investment to begin with. Build out a few key pathfinder projects that digitize one product or one department, and use them as proof points to woo the wider organization into a more strategic discussion on wholesale transformation.
- › **Measure costs and benefits at the brand and customer level.** A digital business transformation business case must consider transformational and operational costs across all of the dimensions of digital business. Additionally, it must lift itself out of channel-siloed metrics to measure the impact of the transformation at the enterprise, brand, and customer level. In many cases, this will require eBusiness professionals to engage their finance teams to champion the uptake of new, customer-centric metrics such as Net Promoter Score or customer lifetime value.
- › **Don't expect an in-year return.** Many firms, particularly in the retail sector, demand an in-year payback from any initiative. Test-and-learn developments and tactical enhancements to customer experience may well pay back in this timescale, but full-scale digital business transformations are multiyear endeavors. eBusiness executives who work for firms with established strategic planning and multiyear budgeting processes must pull the levers of these machines to justify their activities. Those who work in more short-sighted firms have a greater challenge. In such cases, eBusiness professionals must educate their senior leaders on the strategic importance of their plans and build the understanding that a multiyear approach is needed.
- › **Reassess investment decisions on a quarterly basis.** The transformation to digital business may be a multiyear one, but you shouldn't plan all of the detailed steps upfront. The rapidly changing nature of consumer adoption of new technology and the increasing threat of digital disruption means that eBusiness professionals can't accurately predict exactly which touchpoints will be vital to their business in two to three years' time. To embrace digital business, firms must move away from rigidly planning annual budgets and delivery schedules. Instead, they require a more flexible approach to budgeting — one that constantly reassesses the validity of any initiative on at least a quarterly, if not a monthly, basis and is able to reassign funds if new priorities arise in-year.

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Supplemental Material

Survey Methodology

Forrester conducted the North American Consumer Technographics Online Benchmark Survey (Part 1), 2015, fielded in March 2015 to 61,222 US individuals and 6,642 Canadian individuals ages 18 to 88. For results based on a randomly chosen sample of this size ($N = 61,222$ in the US and $N = 6,642$ in Canada), there is 95% confidence that the results have a statistical precision of plus or minus 0.4% of what they would be if the entire population of US online adults (defined as those online weekly or more often) had been surveyed and plus or minus 1.2% of what they would be if the entire population of Canadian online adults had been surveyed. Forrester weighted the data by age, gender, income, broadband adoption, and region to demographically represent the adult US and Canadian online populations. The survey sample size, when weighted, was 61,222 in the US and 6,638 in Canada. (Note: Weighted sample sizes can be different from the actual number of respondents to account for individuals generally underrepresented in online panels.) Please note that respondents who participate in online surveys generally have more experience with the Internet and feel more comfortable transacting online.

Forrester's Global Business Technographics Marketing Survey, 2015, was fielded to 1,039 marketing decision-makers located in Brazil, Canada, China, France, Germany, India, the UK, and the US from SMB and enterprise companies with 100 or more employees (in Brazil, China, and India) or 500 or

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more employees (in Canada, France, Germany, the UK, and the US). This survey is part of Forrester's Business Technographics and was fielded from May 2015 to August 2015. ResearchNow fielded this survey on behalf of Forrester. Survey respondent incentives include points redeemable for gift certificates. We have provided exact sample sizes in this report on a question-by-question basis.

Forrester's Business Technographics provides demand-side insight into the priorities, investments, and customer journeys of business and technology decision-makers and the workforce across the globe. Forrester collects data insights from qualified respondents in 10 countries spanning the Americas, Europe, and Asia. Business Technographics uses only superior data sources and advanced data-cleaning techniques to ensure the highest data quality.

Endnotes

- ¹ Source: "Deutsche Tour Presentation, UK Trade opportunity," Kingfisher, January 27, 2012 (http://www.kingfisher.co.uk/files/presentations/2012/270112/deutsche_tour_20120127.pdf).
- ² Source: "Built in record time, the MetLife Wall knocks down barriers to great customer service," Metropolitan Life Insurance, October 23, 2013 (<http://www.metlifego.com/news/Built-in-record-time--the-MetL>).
- ³ Source: "Rethinking The Customer Experience at MetLife," MongoDB (<https://www.mongodb.com/customers/metlife>).
- ⁴ Source: Michael Burgess, "Omnichannel Retail Trends," Retail Roundtable Dinner, June 18, 2013.
- ⁵ Source: Josh Taylor, "Budget 2015: Digital Transformation gets AU\$254m boost," ZDNet, May 12, 2015 (<http://www.zdnet.com/article/budget-2015-digital-transformation-gets-au254m-boost/>).
- ⁶ Source: "Hacking for better government services," Australian Government Digital Transformation Office, July 3, 2015 (<https://www.dto.gov.au/news-media/blog/hacking-better-government-services>).
- ⁷ Source: Matthew Finnegan, "RBS to invest £1 billion in digital transformation," Computerworld UK, June 30, 2014 (<http://www.computerworlduk.com/news/it-vendors/rbs-invest-1-billion-in-digital-transformation-3527870>).
- ⁸ Source: "Royal Bank of Scotland to spend £1 billion on retail transformation," Finextra, June 27, 2014 (<http://www.finextra.com/news/fullstory.aspx?newsitemid=26212>).
- ⁹ Research suggests that large-scale, waterfall projects are inherently less likely to succeed than smaller, iterative efforts. The Standish Group's "Chaos Manifesto," published in 2013, suggests that 76% of "small" (less than \$1 million) projects succeed, where only 10% of "large" (more than \$10 million) do. What's more, 42% of agile projects succeed compared to only 14% of waterfall projects.
- ¹⁰ Source: Forrester's Q3 2014 Global eBusiness And Channel Strategy Professional Online Survey.
- ¹¹ As a low-cost airline, easyJet followed a similar strategy to other low-cost carriers and allowed passengers to choose their own seats as they boarded. Customer research suggested that this resulted in a negative customer experience, but easyJet was reluctant to allocate seat numbers at check-in without understanding the implications for the cost to serve the customer or the turnaround time of the plane on the tarmac. Adopting a trial approach first on selected flights allowed easyJet to assess all aspects of the operational impact before committing to a full-scale rollout of this cross-touchpoint experience. Source: "Analyst briefing Allocated Seating And Digital," EasyJet, October 3, 2012 (<http://corporate.easyjet.com/~/media/Files/E/Easyjet-Plc-V2/pdf/investors/results-centre/2012/allocated-seating-digital-presentation.pdf>).
- ¹² Digital tools open up opportunities for customers to explore and configure highly complex products, allowing them to explore a vast range of options that a single store could never stock. Audi City is a digital car showroom in central London that does exactly that. Prospective buyers can explore Audi models via Microsoft Surface touchscreen

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terminals and gesture-controlled interactive video displays. The level of immersion created means that 70% of the cars sold through the showroom are done with no test-drive, and nine out of 10 purchases are with customers new to the Audi brand. See the “[Powering The Agile Store](#)” Forrester report.

¹³ Source: “Capgemini delivers Logistics Labs program to drive innovation at PostNord using IBM Cloud,” Capgemini press release, July 22, 2015 (https://www.capgemini.com/sites/default/files/capgemini_delivers_logistics_labs_program_to_drive_innovation_at_postnord_using_ibm_cloud.pdf).

¹⁴ Source: B&Q presentation, Internet Retailing Expo 2013, May 25, 2013.

¹⁵ Forrester uses its Customer Experience Index (CX Index) to benchmark how consumers rated their interactions with hundreds of brands in the US and, more recently, in Europe and China. Now we’ve refined the CX Index in major ways. In this enhanced methodology, CX Index scores link customer perceptions directly to business value. The CX Index has also expanded from a single metric into a framework that delivers deeper insights into what matters most in the CX loyalty equation. Companies can use this new framework as a foundation for their CX measurement programs and as a tool to inform all aspects of their CX efforts. See the “[Introducing Forrester’s Next-Generation Customer Experience Index](#)” Forrester report.

¹⁶ Source: James McQuivey, *Digital Disruption: Unleashing the Next Wave of Innovation*, Amazon Publishing, 2013.

¹⁷ eBusiness executives see a lack of digital skills and expertise as one of the critical blockers to digital transformation. In today’s fast-moving, complex environment, it’s no surprise that many employees feel out of their depth or even afraid of the impact that digital business transformation could have on their roles. Yet if digital is to be more than a bolt-on for your organization, it’s vital that everyone in your firm understand what digital means to them. Education is the cornerstone of digital transformation. If your employees are to embrace digital, they must first understand it. As an eBusiness leader, it’s your responsibility to lead the education of your entire employee base, from your chief executive right down to your frontline operational staff. Each one will be affected by digital disruption in a different way, and this report shares some best practices for identifying and educating each of these key stakeholder groups. See the “[Build An Effective Digital Education Program](#)” Forrester report.

¹⁸ Today’s multichannel company faces enormous pressure to adapt to changing customer expectations and emerging competitive threats. Legacy channel-centric approaches and siloed organizations can no longer cope with a seemingly unprecedented stream of innovation and market transformation. In response, eBusiness professionals must transform how they market, transact, serve, and organize around changing customer experiences. These changes are not an incremental evolution; they are a metamorphosis. In the era of digital business transformation, companies need a plan to optimize their people, process, and technology to serve today’s empowered, ever-connected customers across a rapidly evolving set of customer touchpoints. The strategic plan chapter of the digital business transformation playbook lays out the key elements needed to develop such a plan. See the “[Write A Digital Business Strategic Plan That People Actually Read](#)” Forrester report.

¹⁹ There are significant global differences in consumers’ attitudes and behaviors with regard to the touchpoints they use to research and shop. See the “[Introducing The Global Retail Segmentation](#)” Forrester report.

²⁰ Source: “Macy’s Reorganizes for Omni-Channel Success,” Think With Google, August 2015 (https://www.thinkwithgoogle.com/interviews/macys-reorganizes-for-omni-channel-success.html#utm_source=YouTube&utm_medium=social&utm_campaign=Think).

²¹ Source: “Q1 Trading Statement,” Halfords, July 15, 2015 (<http://www.halfordscompany.com/investors/rns/rns-news/12425514>); and “Halfords Online,” Halfords (<http://www.halfordscompany.com/strategy/halfords-online>).

²² Source: “Full Year results for the year ended 25 April 2015 & First Quarter Trading Update,” SuperGroup, July 9, 2015 (<http://www.supergroup.co.uk/investors/announcements-and-statements/rns-feed/rnsnews/12419207>).

²³ Click-and-collect has now overtaken home delivery as the preferred fulfilment option for online sales at John Lewis. Source: “Annual Report and Accounts 2015,” John Lewis Partnership (<http://www.johnlewispartnership.co.uk/content/dam/cws/pdfs/financials/annual%20reports/john-lewis-partnership-plc-annual-report-2015.pdf>).

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²⁴ Source: "Sephora," Lithium (<http://www.lithium.com/customer-stories/sephora>) and Lithium (<http://www.lithium.com/pdfs/books/successbook>).

²⁵ "Thirty to 35 percent of our online traffic engages with that widget (referring to the customers Instagram images) on the homepage or on the product page," said Daniella Yacobovsky, co-founder of BaubleBar. Source: Haniya Rae, "How retailers are driving sales (indirectly) from Instagram," Digiday, February 19, 2014 (<http://digiday.com/brands/retailer-sales-instagrams/>).

²⁶ Source: Stefany Zaroban, "Stores that take advantage of the web more than hold their own," Internet Retailer, May 3, 2013 (<http://www.internetretailer.com/2013/05/01/stores-take-advantage-web-more-hold-their-own>).

²⁷ Source: New Look presentation, eTail Europe, June 24 to 26, 2013.

²⁸ Source: "Telenet increases level of customer satisfaction at their mobile phone store using Scala powered innovative digital communication tools," Scala press release, February 28, 2013 (<http://scala.com/telenet-lifts-order-value-and-increases-level-of-customer-satisfaction-at-their-mobile-phone-store-using-scala-powered-innovative-digital-communication-tools/>).

²⁹ Source: Jerome Buvat and Subrahmanyam KVJ, "Disney: Making Magic Through Digital Innovation," Capgemini Consulting (https://www.capgemini-consulting.com/resource-file-access/resource/pdf/disney_0.pdf).

³⁰ Forrester forecasts that 1 million US B2B salespeople will lose their jobs to self-service eCommerce by the year 2020. While B2B buyers overwhelmingly prefer to research, and increasingly buy, products and services via a self-service website, B2B sellers still force buyers to interact with their salespeople as part of the purchase process. This report describes how and why B2B eBusiness and channel strategy professionals must radically transform their historical sales models to accommodate a real-time and global buying environment where websites, not salespeople, are at the heart of how B2B companies buy and sell. See the "[Death Of A \(B2B\) Salesman](#)" Forrester report.

³¹ Source: Forrester's Q1 2013 Global B2B eCommerce Portal Online Survey.

Business-to-business (B2B) companies know they can generate revenue and save money by migrating their offline customers online. The question is, how much and under what circumstances? Forrester surveyed 45 B2B eCommerce executives to learn more about how they quantify the revenue opportunities and cost savings associated with moving traditionally offline customers into an online product purchase environment. This B2B eCommerce playbook report details how and where leading B2B eCommerce operations are generating revenue, reducing costs, and leveraging new customer engagement opportunities by "channel-shifting" their current offline clients online. See the "[The Case For Channel-Shifting Offline Customers Online](#)" Forrester report.

³² Source: Eric Smith, "E-Commerce Investment Pays Off for Airgas," Modern Distribution Management blog, July 29, 2015 (<http://www.mdm.com/blogs/14-distribution-sales-marketing/post/34135-e-commerce-investment-pays-off-for-airgas>).

³³ Source: Forrester's Q1 2013 Global B2B eCommerce Portal Online Survey.

³⁴ Source: Forrester's Q1 2013 Global B2B eCommerce Portal Online Survey.

³⁵ Source: Forrester/Internet Retailer Q2 2015 Global B2B eCommerce Online Survey.

³⁶ When asked "What is your chief reason for migrating existing offline B2B customers into an online purchase environment?" 24% of B2B eCommerce professionals said it was to save money by leveraging a less expensive online support cost structure. Source: Forrester/Internet Retailer Q2 2015 Global B2B eCommerce Online Survey.

³⁷ Source: Forrester's Q1 2013 Global B2B eCommerce Portal Online Survey.

³⁸ Until recently, most business-to-business (B2B) companies relied on thick print catalogs, armies of sales reps, and well-staffed call centers to drive and support customer purchases. But B2B customers have substantially shifted their research and transaction activities online — and onto their mobile devices. As a result, B2B companies have

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been forced to fundamentally rethink critical customer engagement strategies and core investments in commerce infrastructure. This report outlines Forrester's vision for how B2B eCommerce professionals can deliver value-added experiences by using content to drive commerce and by leveraging old and new channels to maximize customer reach. See the "[Digital Is Busy Transforming B2B Commerce](#)" Forrester report.

³⁹ Business-to-business (B2B) companies face a daunting yet critical task: accurately measuring and reporting the impact that digital channels have on sales, service, loyalty, and operations. Factor in multichannel and nonlinear purchase paths as well as masses of unstructured data, and companies find themselves struggling to effectively identify and prioritize the most important metrics and key performance indicators (KPIs). This report is the performance management section of the B2B eCommerce playbook and outlines how successful B2B eBusiness and channel strategy professionals are analyzing customer interactions across a broad range of channels to produce value-added insights and drive sustained growth. See the "[Measure The Fundamentals Of B2B eCommerce](#)" Forrester report.

⁴⁰ By assessing digital activities against a framework of best practices, digital leaders in eBusiness and digital marketing can plot their path to digital maturity. This journey typically places firms in one of four transformational stages: repair, elevate, optimize, or differentiate. See the "[Enhance Your Digital Capabilities With The Digital Maturity Model](#)" Forrester report.

⁴¹ Walgreens is transforming its technology to create a "Commerce anywhere" platform. It sees 35% of mobile visits from customers who are in-store and recognizes the opportunity to create multitouchpoint digital experiences. Source: Amy Dusto, "Walgreen's technology plan for omnichannel retail," Internet Retailer, June 28, 2013 (<http://www.internetretailer.com/2013/06/28/walgreens-technology-plan-omnichannel-retail>).

⁴² Source: "Annual report and accounts 2014," Mothercare (<http://www.mothercareplc.com/~/media/Files/M/Mother-Care/documents/annual-reports/annual-report2014.pdf>).

⁴³ Today's customers interact with brands via a wide variety of touchpoints and at different stages of the brand life cycle. But companies measure campaign success using last-touch methods that fail to account for the dynamic interactions customers have with brands; as a result, they struggle to track the true impact of their marketing efforts and understand the holistic customer journey. The resulting marketing performance insights are suboptimal and mislead firms about the true effectiveness of their channel, promotional, and customer service efforts. This report helps customer intelligence (CI) professionals understand cross-channel attribution, allowing organizations to more precisely manage their marketing efforts while gaining a deeper understanding of customer and channel performance. See the "[Use Cross-Channel Attribution To Understand Marketing Effectiveness](#)" Forrester report.

⁴⁴ Source: Forrester's Q3 2013 North America And UK Digital Maturity Online Survey.

⁴⁵ Source: Forrester's North American Technographics Customer Life Cycle Survey, Q1 2013.

⁴⁶ Source: "Retail Isn't Broken. Stores Are," Harvard Business Review, December 2011 (<http://hbr.org/2011/12/retail-isnt-broken-stores-are/>).

⁴⁷ Underlying any investment is the ever-present question of "What am I going to get for my money?" To answer this question, Forrester developed the Total Economic Impact (TEI) methodology. TEI provides a rigorous cost and benefit analysis framework that explicitly incorporates an evaluation of future technology and business flexibility and associated risk. As technology platforms increasingly influence the ways in which companies do business, often providing strategic direction and differentiation, it becomes more important than ever to utilize a consistent, repeatable evaluation process to make the best decisions to achieve the desired results. This report is an update to "The Total Economic Impact Methodology: A Foundation For Sound Technology Investments," originally published on August 4, 2008. See the "[The Total Economic Impact™ Methodology: A Foundational Framework For Investment Decisions](#)" Forrester report.

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