

Business transformation 2020
A Blue Door point of view

From digital to business transformation

Building modern enterprise in
the customer's image

Telefonica

O₂
business

Like it or not, we've all 'gone digital' now

We've all heard it – and said it – a million times. 'Digital transformation' is a phrase heard in nearly every corporate conversation, and you're probably not alone if you think we could do with something new.

The reason we can't – and likely never will – adequately replace this term though, is twofold. The first is that transformation – change, in other words – is the only way that any business can hope to survive and grow. The examples of businesses who failed to change, and collapsed as a result, are too numerous to name. So too are the likes of Uber and Netflix, who have ridden the waves of the perpetual tech revolution to become bigger and more global than all of their predecessors combined.

The second is that it's now unthinkable for our society to change course from digitally enabled life. All of us have technology and services in our pockets that would have seemed like incomprehensible magic less than 20 years ago. It's hard to imagine we'll merrily return to a state where we can't binge on ad-free shows, or where we have to sit in a call-queue every time we want a taxi.

And if our customers are set on this path, then it's up to us to fall in step with them.

So whether we like the term or not, the concept of digital transformation isn't going away. Over the last few years though, it's acquired new scope. After all, customers who go online as the first port of call for any query or service know straight away when you haven't met their expectations. The difference between success and failure, from the customer's perspective, is starker now than ever.

Digital capabilities now define the purpose and strategies of businesses, not the other way around. This means that 'digital transformation' – the process of ensuring those capabilities are positive differentiators – is now interchangeable with 'business transformation'.

The great switch

The way we adapt our operations and business strategies to our digital environment prescribes our ability to meet ever-changing customer needs. As does our ability to expand that environment at speed.

Technology, therefore, now requires far more attention from enterprises looking to adapt. Organisations can't get away with pushing 'silver-bullet' platforms or adopting single-tech solutions. Instead, these have to be part of a bigger conversation about scaling up the whole digital plan.

COVID-19 means we now know what this really looks like, from mass-scale remote working, to the scaling up of virtual healthcare services. It's a real-life trial, which involves every stakeholder in society and in which every enterprise has a role.

Of the huge amount of resource that's rightly gone into mitigating the worst of it, investment in digital is a big part. Which is why nearly three quarters of IT operations and DevOps teams expect to maintain or accelerate their transformation throughout the COVID-19 crisis.¹

We can see the acceleration everywhere, from healthcare to communications:

Demand for the core NHS App has increased by over
50%
in a couple of months²

Microsoft Teams saw an increase in video calls of
1000%
through March 2020³

Change is essential for business continuity, customer engagement and employee safety. These higher stakes mean that decisions are being made sooner, with even greater clarity and attention.

We know that our customers ultimately drive this change. Their lives and businesses have altered, perhaps forever in some ways, as has the way we deliver services to them.

What businesses now need to do, is decide exactly what their own 'new normal' looks like. How to align technology, strategy and the customer in a way that is sustainable, scalable and growth-oriented for the long term.

Digital technology and change – the art of the impossible

Businesses and governments have always had to innovate, rapidly adapting to find ways to turn their advantages into practical solutions. COVID-19 is the cause of the latest and most dramatic shift in our collective context, pushing social responsibility and safety up the list of business priorities.

Technology has of course been central to addressing this. The necessity of getting digital right, while not caused by the virus, has been thrown into sharper relief as many of us conduct our work from home, our customers engaging with us through screens.

This is reflected across many of our biggest industries, even those hit hardest by the current situation:



But the market is still there. A poll on March 18th found that among people in the UK aged 55 and over, 44% had increased, or were planning to increase, their use of food delivery services.⁴ This rose to 86% of 19-34-year olds.

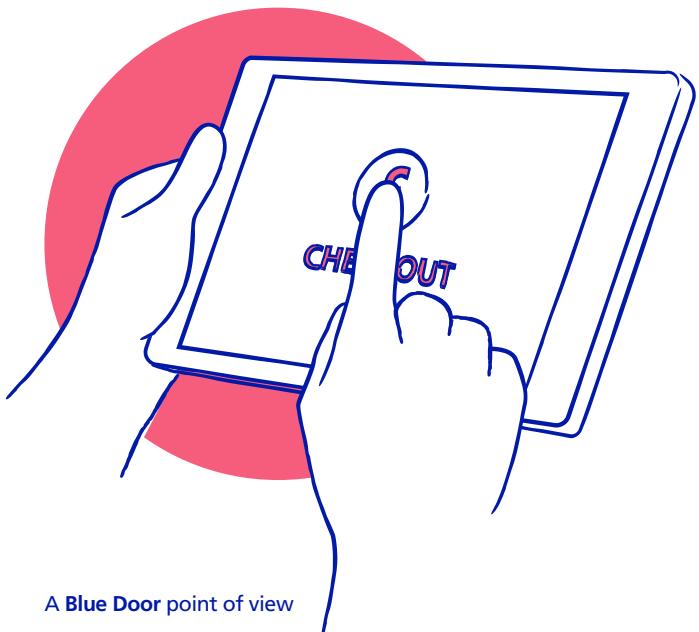
Of course, the average independent restaurant can't simply pivot its brick-and-mortar model into an online service and expect the same revenue. But this illustrates the value of taking a digital-first mentality to growing a business in the 2020s.

Technology removes those traditional barriers to demand and makes it easier to maintain service continuity.

The online clothing retailer ASOS, for example, saw group sales fall by around 20% in the three weeks following the lockdown.⁵ But this compares to an average fall of 35% across all UK clothing stores during March.⁶

It also followed a year-on-year revenue increase for ASOS of 21% across the previous six months.⁷ By contrast Primark, a retailer with no online platform at all, has seen clothing sales fall from £650 million per month to zero.⁸

While demand for clothes will naturally stagnate as people can't leave the house, those who do buy will buy from the businesses directly set up to offer a digital service in the first place. Online retail was a rapidly growing market, which will continue to lead the way for the whole industry during and after the coming months.



A Blue Door point of view

So the zeitgeist is no longer about singular solutions or platforms – it's about business transformation, enabled by a rock-solid digital agenda, ideally built from the ground up.

ASOS' group sales fall by around
20%
in the three weeks following the lockdown⁵

Average fall of
35%
across all UK clothing stores during March⁶

⁵ [Telegraph. \(2020\). Asos takes on more debt as sales are hit by COVID-19.](#)

⁶ [Guardian. \(2020\). Record fall in UK retail sales, but alcohol soars.](#)

⁷ [Retail Gazette. \(2020\). Asos raises £247m in share placing as sales drop by 25%.](#)

⁸ [Essential Retail. \(2020\). COVID-19: Primark lays bare the costs of coronavirus.](#)

Ingraining digital thinking

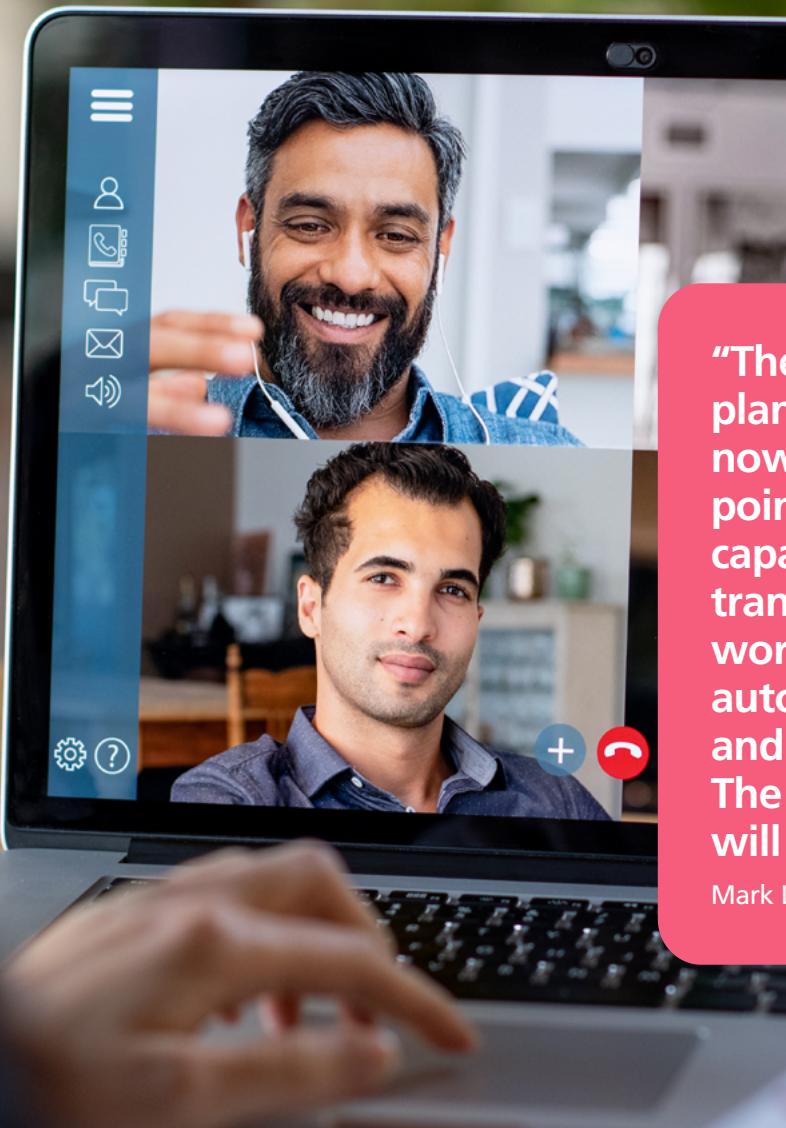
There will be those traditional businesses who cannot – or will not – adapt their models fast enough.

But for the majority of enterprises, the question is what they can do right now to attract the digital customer, and how can they get there quicker than the competition.

That inflection will only be sharper as our customers and employees get more used to communicating, buying and working remotely. More aspects of our life are now placed in the hands of technological processes, and we'll only become more accustomed to the convenience of this arrangement.

Automating our business processes, freeing up people for strategic thinking/planning and developing better customer experiences – these are the typical benefits that are driven by digital investment. But these are really the side effects of making digital the central pillar of the business.

The next big move forwards for traditional businesses will come when they can integrate digital solutions deeply enough to test, refine and scale innovations at will.



"The best leaders are planning for the recovery now. We are at an inflection point where technological capabilities are ready to transform every facet of work as we know it through automation, robotics, cloud and cognitive computing. The work done by humans will fundamentally shift."⁹

Mark Lillie, Deloitte

We've realised the benefits of this kind of ingrained digital transformation for our own clients.

In entertainment, for example, O2 has built a portfolio of solutions across mobile, 5G and connectivity, paving the way for a new generation of live spectator events.¹⁰ From getting rid of bar queues, to personalised highlight reels, and smart ticketing, technology will enable that 'new normal' at every step.



A Blue Door point of view

Business transformation 2020

Business leaders now need to assume that every customer experience will soon rely on the technology sitting behind the enterprise. The infrastructure and front-line experience will become a symbiotic dynamic, constantly refining itself in line with the customer's needs.

This means that, as businesses, we need to think bigger. We need to work on the assumption that everything we do to serve our customers can and should be enhanced by better digital infrastructures and platforms.

Our search at this stage shouldn't be for what digital can do to support better experiences, but to reach and test the outer limits of what it can't do. We need to become masters of the art of the impossible, by opening our imaginations up to the idea that, perhaps, digital technology will only continue its exponential path of development.

We may be much further away from reaching the boundaries of what transformation can achieve than we think.



¹⁰ O2 Business Blog. (2019).

Chip-and-win – growing up in the digital-first economy

Once we accept the need for digital-first thinking, we then need to prioritise how we use technology to make our transformation as advantageous as possible.

Most commentators agree that technological change is only going to happen faster and faster. Spencer Kelly predicts that the next 20 years will see more development in our capabilities than the previous 300.¹¹ It's a striking idea, reflecting the fact that the more technology develops, the greater our capacity for innovation will become.

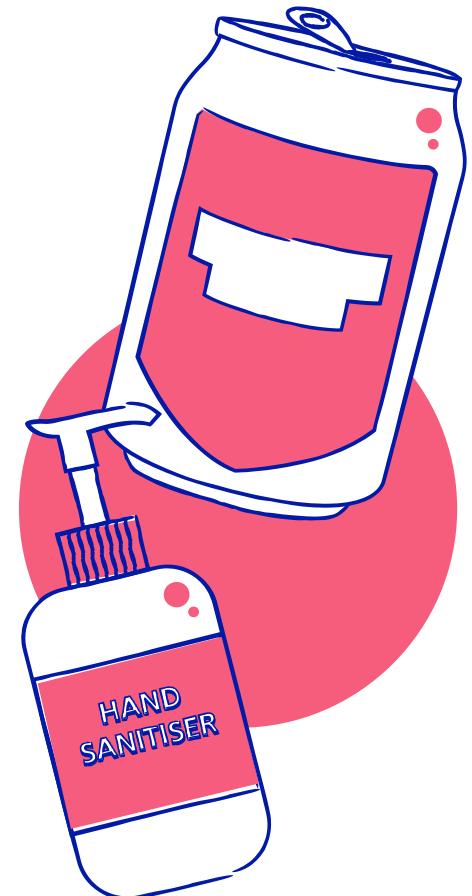
But recent events show that digital evolution isn't the only cause for reflection. As a society, we're now required to re-evaluate how we interact and collaborate as a species – how we maintain and bolster relationships, services and systems when traditional ways of living and working are tested.

While the COVID-19 pandemic is hugely challenging for all sorts of reasons, it's a common assertion now that it will accelerate digital adoption by several years.¹² With that comes the ability of companies from across industries to quickly adapt their business models to meet emergent contexts.

There are retail examples, like Brewdog producing hand sanitiser to meet the acute short-term demand,¹³ or in entertainment, where Netflix have added group chat and watching experiences to their regular offering.¹⁴

Technology companies, too, have been quick to demonstrate their capacity for adaptation. From AWS supporting diagnostics to HP partnering with digital manufacturers to print face masks.¹⁵

These efforts, while admirable, aren't only altruistic. They reflect the need for companies to be able to pivot rapidly, to be there in whatever way their customer base needs, even if it shies away from their traditional operating model. It's pragmatism, borne of a changing landscape and a shift towards digitalism.



Digitalism equals pragmatism

In the near future, once we begin to emerge from a period of acute social upheaval, businesses need to decide how they will use their newfound digital know-how to navigate what could be a long period of economic contraction.¹⁶

One way to start building our response strategy is by looking backwards and learning from the successful enterprise responses to the 2008 recession. When we do this, the right approach seems to be ensuring a delicate balance between saving and spending.

Those enterprises who dramatically slashed their costs post-2008 weathered the storm well in the short term, but HBR found that they had the lowest chance (21%) of becoming market leaders once the economy recovered. The same can be said of those who invested boldly during the downturn, who had only a 26% chance of market leadership. And perhaps most striking of all, 85% of pre-recession growth leaders were unable to maintain their position afterwards.¹⁷

Stability, openness and ambition appear to be the features replicated across the winners from 2008. A finely balanced approach is needed.

The research from HBR suggests that the most successful businesses were those who cut costs prudently – focussing on investing to make savings through greater operational efficiency. This goes arm-in-arm with the notion of an integrated digital approach to growth. Automating what can be automated and centralising day-to-day processes helps to ensure consistency and provides a solid foundation on which to build.

Optimising the digital fabric of the enterprise supports a logical and efficient chain of decision making, giving leaders the confidence to be more strategically innovative while cutting spend.

Studying the last economic downturn also teaches us that wise investment during the crisis featured heavily for the winners. This isn't a ground-breaking conclusion, but what sheds a more revealing light is where that investment was concentrated.



The most successful companies focussed their investment on marketing and R&D.¹⁸ In short, on identifying new customer segments, exploring new products and routes to entice them, and improving their experiences.

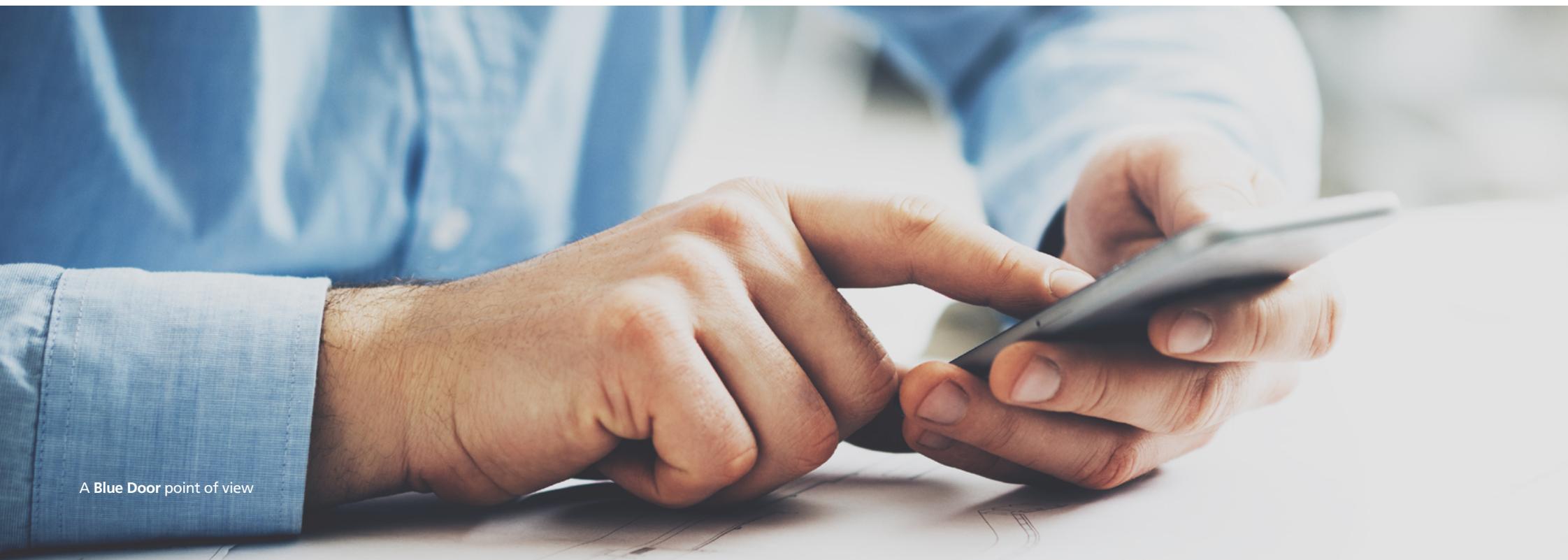
In 2008, some of that investment cost came from enlarging the asset base, with new property or equipment to set up for an expanded market presence. This time around though, the digital maturity of our economy means that those opportunities to grow will be found in online marketplaces, exploitable only through progressive, digital infrastructures.

Now is the time for businesses to begin thinking about continuity and resilience not purely in terms of short-term survival, but in relation to the global shift towards digital that has only been accelerated by COVID-19.

Business transformation must be based on the pragmatic. That means sensible cost-cutting to remove legacy processes and converting mundane, simplified tasks into more logical, automated systems. But it also means accepting the reality that the future for our species and our customers, is digital.

We have to start imagining what future human life will look like, and rebuilding our economies and enterprises in our own, digital image.

¹⁸ HBR. (2010). Roaring out of Recession.



Staying in the customer's pocket

A digital-first mindset, combined with a practical approach to resilience, is crucial. But what unifies them as the third pillar of successful business transformation?

Hint – it's our most elusive, indefinable and important constituent – the customer.

As businesses digitalise, there's a tendency to imagine that the resulting efficient, automated and mass-scale delivery of our products and services will come at the price of our humanity.

But embracing digital doesn't mean we have to show a clinically robotic veneer to our customers. Quite the opposite in fact – digital interaction is our greatest asset when it comes to delivering a human experience with your business.

The COVID-19 pandemic has accelerated our awareness of technology as something which bolsters our relationships, rather than hinders them. Instead of the old clichés about our children retreating into their phones, rather than engaging, it's now families, friends and work colleagues actively and passionately exploring new ways to stay close to each other and share experiences digitally.

The same trend applies to the way businesses interact with customers. Our understanding of the way people behave online, who they speak to, how they spend, which channels they favour – all of these should inform your decisions, and help you to deliver the precise service each customer expects.

People are entrusting their personalities and preferences in their devices, and with us. It's our duty to use this information with integrity, to create genuine and personalised experiences for customers.

This means building our digital infrastructure and mindset with the customer front of mind, and making strategic decisions that will help us to excel at engaging with them.

"Online portals are replacing customer service centres and algorithms are replacing humans on the front lines."¹⁹

Marc Benioff, CEO of Salesforce

At O₂, we're always looking for new means by which we can use technology to help people in a way that meets their specific requirements.

Last year we worked with Bidfresh, a produce and logistics supplier in the food industry, to improve tracking and strategic decision making related to their delivery fleet.

We provided, through our Smart Vehicle solution, a real-time, online dashboard of information about every vehicle, from fuel consumption to driver behaviour analytics.

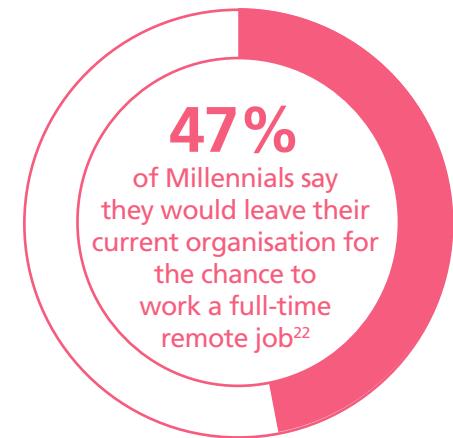
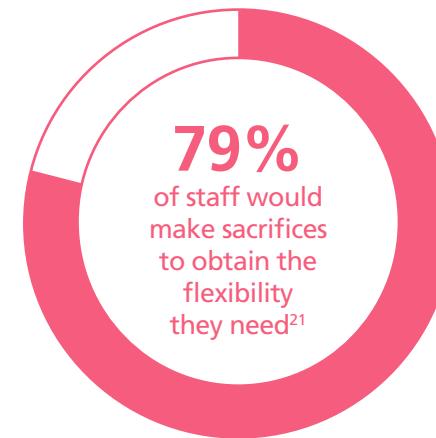
Taking such an all-inclusive attitude to your products, and identifying things that will be of practical support to people, can only happen when an organisation is genuinely people-led. This doesn't change just because the product or delivery structures are automated, digital or transformative.

This helped not only to drive better performance and efficiency, but also to inform the end-to-end decisions that Bidfresh were making about journey routes and timings, allowing them to focus on driving better outcomes for their customers.

This couldn't be achieved at scale without the right technology of course, but it couldn't have been delivered to the right conditions at all without the needs of the customer at the end of the process guiding the intention.

A human-centric approach to business transformation in relation to our employees also serves us well to support better customer satisfaction.

Using technology well can help people enjoy more fundamentally satisfying, rewarding jobs. It helps people be happier and lead more flexible working lives – and happier staff means happier customers.²⁰



Microsoft have shown how making the end user the priority can help dictate product development to support both commercial growth and staff empowerment. By identifying that nearly a seventh of the global population suffer from some kind of disability,²³ they were able to tap into a whole new area of focus – how do we make our products accessible for everyone?

This direction has led them to create a diverse range of products and services intended to enable and empower those with disabilities. Examples might be the Xbox Adaptive controller, or the Seeing AI app which narrates the world to people with limited visibility.

By renewing their focus on inclusivity, assistance and practicality²⁴ – i.e. the user – they were able to outperform their competition in revenue and profits, as well as reflecting the values of their employees.

²⁰ [Forbes. \(2019\) How employee satisfaction affects customer satisfaction.](#)

²¹ [Access Perks. \(2019\).](#) ²² [Global Workplace Analytics. \(2020\).](#)

²³ [World Economic Forum. \(2019\). Disability Inclusion is 'Good Business' Despite Low Awareness.](#)

²⁴ [Microsoft. \(2019\). Accessibility offers an amazing opportunity.](#)

Empathy from the front

The ability of a business to purposefully align their transformation with their customers is ultimately dictated by the ability of leadership to create empathetic and inclusive cultures.

Leaders, therefore, need to be aware and proactive when it comes to encouraging a customer-first culture of growth. There are many examples of individuals creating company-wide changes in this way.

Research by Walker, in partnership with Chief Executive Magazine, found that customer experience was overwhelmingly cited by CEOs as the key competitive advantage they have.²⁵

Again, this is no great shock, but now the focus on the customer is joined to our collective imperative of societal survival and responsibility for one another.



As with many of the things we've discussed, the long-term trend from the present context may be the dramatic return of our focus on customers:

1

It's brought us closer to technology yes, but technology has also brought us closer together

2

It's reoriented resource towards our pandemic struggle, but with renewed efficiency and emphasis on the customer too

3

It's created a heightened need for transparency, as we communicate clearer and better-defined strategies and goals

²⁵ Walker. (2016). The CEO view of CX.



When we look at two contrasting responses to the pandemic, it's illustrated further.

While a minority of companies have looked to profit from the situation in the short term, hiking prices or hoarding items to sell on,²⁶ the more common stories are of businesses modifying their offerings to be directly supportive, caring and flexible.

The current situation is a microcosm of two business imperatives:

- ① To predict what customers – and society – need now and will need in the future.
- ② To find the means of delivering for those needs via a transformative approach that ensures long-term scalability and sustainability.

It's the ethical thing to do, but it also follows the fundamental logic of successful business adaptation and change.

Both of these imperatives are met best by those businesses who are mindful of the pervasive aspect of digital living, and those who understand that the customer comes first.

Businesses: be clear about what you do, and be empathetic. Be clear what you stand for. Focus on what you do best, and how it best applies directly to people's needs.

Remove anything that might muddy the waters around your purpose or your focus on customers. And understand that your digital channels are the window through which you wave to your audience, and through which they (hopefully) wave back.

We'll always find a way

We've already mentioned some enterprises that grew from identifying a growing market need. Uber identified the need (and technology has made it feel like a genuine need) not to wait in the rain with no idea how long your taxi's going to take. Or the starker examples, like the famine-averting development of dwarf wheat in the 1960s.²⁷

There are still more that remain unfulfilled, like the need to not lose the right lid for every food container you have (universal Tupperware lids, anyone?).

So changing the way we do business to meet new contexts isn't anything new. Most enterprises know that they need to adapt and evolve if they want to survive. The ongoing change in business and customer behaviour we're now experiencing is just the newest of these contexts.

The point is that people – and businesses – will find a way. But it's vital to remember that when we work to find that solution, then it must always be based on those fundamental needs of people.

Even digital transformation, the cold, hard term that neatly condenses our data, systems and operations, can only be of value when human impact is its guiding star.

The business community then has a responsibility to keep exploring, to predict and model the next things that we'll need as a species to survive and thrive. We need to work together, go to innovation workshops, invest in research and development, and above all be bold in our thinking.

"We need to stay positive. This will come to an end. Science, ingenuity and graft will find solutions and new business opportunities will emerge."²⁸

Mark Lillie, Deloitte's global lead in its technology, strategy and transformation practice, speaking in the firm's fourth weekly COVID-19 webinar.



Talk to us

All it takes is a new necessity. But who will grasp it first?

If you'd like to see how we can help your business make the most of technology, contact us on **0800 955 5590**, email o2@o2business.co.uk or get in touch with your O₂ representative.

To read more about O₂ points of view, explore our [blog](#).

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