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HOW TO DEVELOP A GREAT DIGITAL STRATEGY

To succeed today, companies need a unique value proposition that incorporates digital technologies in a way that is difficult for competitors to replicate. If business leaders are to maximize the value from investment in new technologies, they have to make sure that their companies have a great digital strategy.

What is a digital strategy?

A digital strategy provides direction, enabling executives to lead digital initiatives, gauge their progress, and then redirect those efforts as needed. The most important first step is setting the direction to decide what kind of digital strategy to pursue: a customer engagement strategy or a digitized solutions strategy. The best strategy for a company will depend on its existing capabilities and the way it wants to compete. The most important requirement for a great digital strategy, however, is to choose one kind of strategy or the other, not both.

Customer Engagement Strategy

Customer Engagement Strategy focuses on **the development of customer loyalty and trust** — and, in the best cases, passion. Companies choosing this approach offer seamless, omnichannel customer experiences, rapid responses to new customer demands, and personalized relationships built upon deep customer insights.

An example: **Kaiser Permanente**, an integrated provider of health care and not-for-profit health plans approaches health care as a collaboration between care providers and members. It uses digital technologies to provide seamless, low-cost access to provider teams and to facilitate the delivery of both curative and preventive patient care.

By using digital technologies the company:

- Offers digital channels that bolster patient interaction with care delivery teams.
- Applies data analytics to identify the need for personalized medical outreach.
- Leverages social media to develop communities of patients with similar interests and needs, and to create “care circles,” where patients and their families can engage with care providers.



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Digitized Solutions Strategy

A digitized solutions strategy transforms what a company is selling. It seeks to integrate diversified products and services into solutions to enhance products and services with information and expertise that help solve customer problems, and **to deliver new value** throughout the life cycle of products and services. Over time, digitized solutions can transform a company's business model by shifting the basis of its revenue stream from transactional sales to sophisticated, **value-laden offerings** that produce recurring revenue.

An example: **Schindler Group** is a global provider of elevators, escalators, and related services. The company leverages the internet of things — collecting real-time data from its installed base of elevators and escalators and using that data to improve the quality of its products and services. Schindler contrary to its competitors focuses on digitized solutions and began using data from the internet of things to help prevent equipment failure, optimize elevator routes, and identify potentially valuable innovations.

Operational backbones

A company also needs an **integrated platform of distinctive capabilities** —an operational backbone — that ensures efficient, reliable transactions and customer interactions. These capabilities vary by company, but they typically include things like access to a single authoritative source of information for key data about finances, customers and products; reliable end-to-end global supply chain processes; or back office shared services. **Kaiser Permanente's** operational backbone starts with its electronic health records system. Kaiser Permanente committed early on to electronic health records as the basis for clinical record keeping and collaboration. **Schindler's** operational backbone comprises the global business technology and process standards that it implemented with its ERP system starting in 2005.

Summary

Companies must offer a **unique value proposition** that is difficult for both established competitors and startups to replicate. Such a value proposition stems from a digital strategy that is focused on either a set of digitized, integrated offerings (a Digitized Solutions Strategy) or a relationship that engages customers in ways that competitors can't match (a Customer Engagement Strategy).

Companies need a clear digital strategy to develop an integrated portfolio of customer offerings. The importance of choosing one of the digital strategies is paramount as it provides a shared understanding of business objectives among employees, and it guides experimentation and innovation.