ARE YOU A DIGITAL EXPERT OR DIGITAL LAGGARD?

WHY DIGITAL MATURITY IN B2B MATTERS
INTRODUCTION

Most organisations predominantly selling to other businesses (i.e. B2B) have some form of digital strategy yet many struggle to transform their digital ambition into genuine competitive advantage. Two out of every three B2B organisations (59%) also feel they have yet to realise the potential of digital commerce*.

Digital technology is the agent of change. It’s critical in supporting the transformation of customer experiences, as well as the streamlining of existing operations. And getting the mix right can put your organisation ahead of the competition in a sector being disrupted by ecommerce.

This disruption is set to realise a market valued at $6.7 trillion GMV by 2020**, which would make it twice the size of B2C.

Doing B2B right – or, at least, better – is now a commercial imperative. Destabilising forces like digitisation, globalisation and deregulation are gathering pace, and B2Bs are facing new threats from across the board.

For instance, the 2012 launch of Amazon Supply was the retail giant’s initial foray into B2B ecommerce, and the April 2015 launch of Amazon Business shows they’re all-in. Amazon now has a marketplace for businesses featuring hundreds of millions of products and bulk discounts.

This article focuses on B2B, and highlights the key characteristics and best practice of digital leaders. It’s an opportunity to grade your business on the digital maturity curve, and to help you think – and act – as an expert in B2B, respective of the winning traits of digital leaders.

Our paper builds on the report “Prepare your business for the digital future” by Forrester Consulting which surveyed 150 IT and business decision-makers across UK, Germany, Benelux and the US. Commissioned by Salmon and Rackspace, and published in February 2016, it outlines the state of digital strategy and execution across retail and CPG as well as B2B, and examines the key success strategies that separate the digital experts from the digital laggards.

*Source: Salmon report “British Business In The Digital Age”  
**Source: Frost & Sullivan analysis (April2015)

ABOUT THE AUTHOR

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Patrick is a renowned spokesperson for the digital commerce industry. His expertise is founded on ten years’ experience in global ecommerce with companies such as eBay, where he headed up B2B marketing.

As a pioneer in framing the programmatic commerce phenomenon, Patrick is passionate about digital disruption and how retailers need to harness the power of digital tech and the connected customer to excel in a digital-first world.
To assess an organisation’s digital maturity, Forrester asked respondents to assess their digital strategy, organisation and technology. It examined dimensions such as:

- executive support
- vision
- resourcing
- operational effectiveness

Analysis of the responses helped us to confirm our definitions of digital experts and digital laggards:

**Digital Experts** have the right vision, processes, tools and resources to execute their digital strategy. They have the right KPIs to measure success. Only digital experts provided results that demonstrated a commitment to embed digital into their entire organisation to deliver customer value.

**Digital Laggards** lack a digital strategy and vision. Typically, they work with traditional processes, legacy systems and technologies, and have an immature digital culture. They make limited investments in new technology, and tend to copy others in their industry. Their company leaders tend to focus on stability and cost when making investment decisions.

Our study revealed five defining areas where the experts outflank the laggards in B2B:

1. A clearly defined digital strategy that’s successfully executed
2. Embedding a digital culture and promoting cross-function collaboration across the business
3. The funding to succeed
4. A focus on external or customer focused initiatives
5. The ability to clearly measure progress

Let’s take a closer look...
Digital is not a new phenomenon. Digital tech like mobile, cloud, big data and the Internet of Things (IoT) have a direct impact on how organisations engage with customers, and their workforce.

Having a clearly defined and articulated digital strategy is important, and more than two-thirds (68%) of the digital laggards even agreed they had this in place, whilst all the digital experts were in agreement. Naturally, strategy execution is critical. Yet only a few of the organisations that were surveyed are executing digital successfully, by demonstrating competence across all dimensions* to maximise business value from investments in digital solutions. In this regard, only one in ten (11%) would qualify as experts.

“**We have a clearly defined and articulated digital strategy**”

In the Salmon report “**British Business In The Digital Age**”, 66% of respondents expected ecommerce to drive the most sales for their organisation in B2B markets over the next five years.

This highlights a key strategic challenge for many B2Bs: moving customers from offline channels to online. We know that the expectations of B2B customers have been influenced by Amazon-type customer experience (CX), and CX in B2B matters. Indeed, we’re starting to see research (such as a 2016 SiriusDecisions study) that puts CX above both price and product offering in B2B buying decisions.

In short, the digital experts in B2B will clearly be at an advantage in implementing strategic programmes, such as channel migration, with a higher degree of success.

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*including vision, operational effectiveness, resourcing and executive support*
Of the organisations surveyed, all those identified as digital experts were in agreement that their CEO champions their digital strategy. Amongst the laggards, only two out of every five agreed.

While the digital strategy may have C-suite backing, only half the organisations agreed that their current organisation model encourages cross-functional collaboration. However, more than half of B2Bs (56%) confirmed they are using digital tools to promote employee collaboration, innovation and mobility.

The delivery of great digital experiences is an organisation-wide task. It demands unprecedented collaboration between teams and departments. And only digital experts demonstrated a commitment to making digital pervasive across their entire business to deliver customer value.

Exploring the role of different teams in delivering digital projects reveals that expert organisations promote deep cross-business collaboration. For digital laggards, IT is the primary role involved in setting the digital strategy. Experts involve IT, finance and the C-suite, and they’re also more likely to involve HR in setting digital strategy. Experts show similar collaboration in executing digital, with IT taking charge, but operate with more involvement from other functions like marketing, sales and procurement when compared with laggards.

Almost a third of the digital experts had also established a digital centre of excellence (COE), compared with only 16% of laggards. These teams support experts by consolidating digital resources and skills. This helps to break down organisational silos, and focus on delivering customers’ unique needs. Over 40% of digital laggards are structured by traditional functional alignment – for example, by offline and online teams.

“Our CEO champions our digital strategy”

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<th>Percentage agreeing with statement</th>
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The over-riding challenge for technology and business leaders in B2B is lack of funding allocated to digital strategy. However, more than two-thirds (70%) of B2B respondents agreed that their technology budget is fluid, in order to support shifting priorities.

From the data, we were able to identify a marked difference between experts and laggards in funding models. A key tactic for over half of digital experts is to define appropriate funding to support their digital strategy. Engaging with financial teams is critical to define investment profiles and success criteria, along with allocating the right budget. Tracking expenses and optimising resources helps the experts ensure funding is available for future programmes.

“Our company has defined the appropriate funding model to support the digital strategy”
When we assessed the organisations’ top digital objectives by digital maturity, we found that the experts in digital focus more on external or customer-facing initiatives (69%).

Laggards focus digital efforts on employee-facing and internal digital projects (31%). In many cases, laggards are purely set on defensive cost-cutting goals, and fail to tap into the real potential of digital to inspire growth. To quote Guy McGrath, Chief Digital Officer at RS Components, “Digital as cost-saving is old-school, inward-looking, thinking from circa 2000.”

As a consequence of their customer focus, digital experts benefit from several unexpected and positive outcomes, including:

- a unified digital experience for customers across all channels
- improved competitive advantage within the organisation

Despite being more internally focused on their digital initiatives, digital laggards also reported positives from their customer-facing initiatives. More than half (56%) benefited from improved customer satisfaction and customer insight.

*Source: IMRG ‘Multichannel Wholesale in 2016: the magic is in the mix’
Across B2B, more than two-thirds of our respondents claimed they could clearly measure the business results of our digital strategy, and that’s heartening. However, digital experts go further. They focus on data analytics and measurement to support better decision making and business planning.

With data analytics, digital experts are able to substantiate the value of their digital initiatives and better understand and anticipate their customers’ needs.

Across B2B organisations, conflicting KPIs are a key concern when executing digital strategy. Unsurprisingly, laggards are most challenged by this. The result is a lack of alignment on digital objectives (38%), pushback from compliance and legal teams (35%), and poorly integrated legacy systems that make it difficult to share information across platforms (33%).
CLOSING THE GAP ON THE DIGITAL EXPERTS AND ACCELERATING TRANSFORMATION

FIVE SUCCESS FACTORS

If you’ve now got a rough assessment of your digital maturity as a B2B organisation and find you are more laggard than expert, you’ll appreciate that your business will be at a disadvantage in enabling digital transformation. In increasingly competitive B2B markets, this will thwart any ambition to develop competitive advantage.

With a view to closing the maturity gap to support higher performance through digital, here are the top five focus areas that Salmon recommends to promote success.

1. It’s all about the customer – not the company

Too often, companies focus internally on the likely benefits of a digital strategy. They seek to improve company processes, reduce costs and operational effectiveness. Analysis of Forrester’s research shows that companies that focus on the customer are more likely to succeed in their digital transformation. This is particularly true when they pair this with customer-oriented goals such as customer satisfaction, customer insight and an increase in market share.

For a B2B organisation with complex customer types, this can be a challenge. First, the business needs to ask, “How can we use digital means to address customer needs more effectively?” Then, the organisation can map the distinct customer journeys that different segments go through, seeing these touch points through a digital lens.

The goal should be to use digital methods and channels to identify new customers, streamline the ways customers interact with the company, and use the data harvested during this process as a driver for continual evolution.

2. Don’t leave digital to the “digerati”

Our research indicates that routing technology transformation through IT departments is redundant. Digital transformation shouldn’t be left to the company “digerati” – the people that already ‘get it’. The companies that do it best bring cross-functional talent together in order to spur action and break away from old ways of working.

Successful companies have created Centres of Excellence (COEs), combining input from across the business: knowledge, customer experience, technology expertise, HR, the supply chain, and other operational functions. Digital transformation is going to have an impact on the customer and the company as a whole, so a cross-functional team is vital to success.

By contrast, companies that exhibit poor digital adoption and limited success were more likely to have organised their digital efforts by traditional functional alignment, such as online versus offline teams.
3. Fund it, or fail it

Digital transformation funding is a key challenge for all companies, and it’s the main challenge highlighted by the research respondents.

Companies are more likely to succeed if they define an appropriate funding and financial model early on. Success pivots on attaining C-level buy-in and engagement with financial teams to define the correct investment levels, KPIs and success criteria. The organisation must also be able to link the results of digital investment to the customer outcomes they drive.

4. Measure for digital success

Success is more likely if there’s a clear focus on data analytics and measurements before a digital project starts. Advanced data analytics and planning are vital, as is data insight into both customer needs and the impact on customer behaviour.

Customer-centric metrics, like customer lifetime value, are strong measures of digital success. Gathering analytical and behavioural data from digital experiences is key, as is identifying KPIs that positively impact this behaviour and incentivising personnel to achieve those KPIs.

In a B2B environment with traditional structures, like a field sales force, departments may not be aligned for digital success. In some cases, their goals could actually conflict. The identification of these friction points, and buy-in to digital KPIs, are important.

According to Forrester, the most successful B2B companies over the next 20 years will leverage a customer-obsessed operating model to convert data into insight*.

"Source: Forrester Consulting (Nov. 2015) “The Operating Model For Customer Obsession”

5. Learn best practice from the leaders in retail

The use of digital technologies to grow markets and launch new products is not new, and digital transformation is a term familiar to B2Bs. However, some industries, especially retail, have been early adopters of digital technologies, and they are leading in its implementation.

Wherever businesses find themselves on the digital maturity spectrum, they can learn valuable lessons from their digitally-seasoned B2C cousins. Digital strategy typically includes customer journey mapping, consistent cross-channel user experience and design, and advanced data analytics. By studying what works best in retail, B2B practitioners can leapfrog the pitfalls that their retail counterparts have encountered over the past ten years.

Finally, it’s important to remember that B2B buyers are also B2B consumers. Their expectations for a B2B buying experience are heavily influenced by their B2C buying experience, from online experience to offline fulfilment. Keeping up to date with best practice isn’t therefore a nice-to-have; it’s a necessity.
HOW CAN SALMON HELP?

Salmon has delivered high-impact B2B ecommerce strategies and solutions, including global platforms for companies such as Avnet, Premier Farnell, Celesio, DFS, Domestic & General and Audi UK. By applying winning experiences from its consumer clients including Argos, Halfords, Sainsbury’s and Selfridges, Salmon empowers B2B customers to create standout experiences using digital technology. Contact Salmon to discuss how we can do this for you.

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ABOUT SALMON

Salmon is a global digital commerce consultancy that defines and delivers market-changing solutions and customer journeys for the world’s leading brands.

Established in 1989, with operations in London, New York, Melbourne and Beijing, Salmon clients include Argos, Audi UK, Avnet, Celesio, Domestic & General, DFS, Halfords, Premier Farnell, Sainsbury’s and Selfridges.

For more information, email: info@salmon.com or visit: www.salmon.com

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