



# Digitalization – Fit for the Future

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*Know your chances, use your chances*



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## **Abstract**

Growth in the digital market is a strategic target for the majority of today's modern companies. The question that needs to be answered in order to achieve this goal is: with which products do I satisfy the most customers needs in order to receive the highest payoff from the existing customer base? Digitalization offers the chance to answer this question and all other issues around it in great detail. Our goal was to make the concept of digitalization more tangible and to be able to evaluate: where do companies stand today, which chances do they have for the future, and which products should they focus on in order to achieve success.

**27.000 companies from 31 different industries are used in the calculations, and the number increases every day!**

The result are three indices, which by using modern data analysis methods can calculate: how high the disruption risk / chance is, how much potential / risk lies in digitalization, and how well / poorly are the customer needs satisfied.

## **Idea**

Today many terms are used in the business world as if they were self-explanatory. But what do they really mean? Just to name a few – customer centric, customer value, disruption, digitalization, pivot, traction, grip. We aim to provide companies with a clear understanding of those concepts by making them tangible and measurable.

Questions:

How high is the probability that my business model will still work in the future?

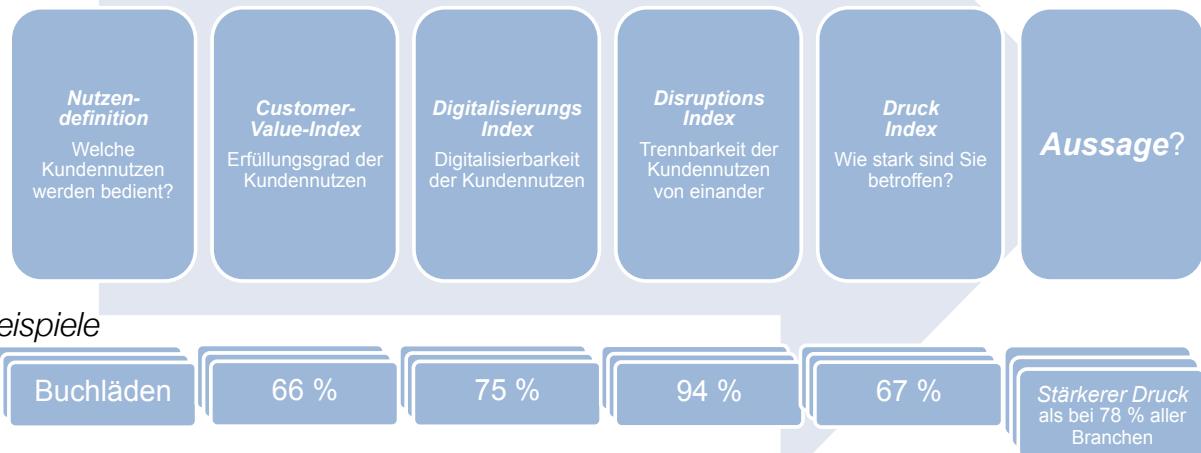
How much potential there is in digitalizing sales, production, or the product itself?

How high is the value created for the customer and does he perceive it in a direct / indirect way?

How will the customer habits and demands change in the future?

As a startup, how do I find products that could be digitalized or what value does a new idea have?

Beispiel: Wie stark ist der Digitalisierungsdruck  
auf Unternehmen im Bereich der Buchläden?



## Methodology

In the information age it is easy to automate the data collection process. The specter of tools and methods to do that is large and consist of big data, predictive analysis, artificial intelligence, and a number of heuristic and statistical methods.

The emphasis of the study, however, is not on determining the amount of companies that are engaged in the topic through a simple survey but rather to thoroughly explain the potentials, risks, and possibilities available to organizations.

More than 27.000 companies together with their product portfolios were analyzed and evaluated. How does the customer perceive value and how will digitalization affect this perception? From this potentials and risks were derived based on market share and penetration.

Our analysis shows that in extreme cases products could be completely replaced. In other cases, however, only parts of the product are disruptable but this could still have considerable effects on the company's profitability. In such a case a corresponding disruption risk score is provided.

A substantial amount of data from different sources, including company data, is used for the conduction of the analysis. Product information, data from comparison portals, customer forums, online shops, product forums, etc. just to name a few.

Based on this data three different indices are calculated for every single company and the scores are then aggregated in order to provide a complete industry overview.

## **Result**

As a final step, depending on the perspective, the potentials or risks for the organization are revealed. The benefits from the indices' results could best be described through a few examples.

### *Focus Startup*

Startups design their products very carefully with the goal to generate the maximum possible value for their customers ("Superior Customer Value"). With the help of our approach those products could be evaluated and the correct approach to disruption could be identified. This significantly shortens the time needed to find an entrance point and to begin the actual offense.

### *Focus Marketing and Sales*

For the marketing and sales departments the product and customer perspective are of interest. In relation to this the perception of different products and product parts from the customer point of view could be determined, digitalization possibilities could be identified, and what effect on costs, price, and, customer view could those have. The aggregated indices could be used as a benchmark for the whole industry.

### *Focus CEO and CFO*

From a strategic, and more specifically, growth perspective, the potentials and risks associated with digitalization could be determined. Additionally, our approach allows to identify possibilities for the suspension / upgrade of existing products in a structured and systematic manner. This even allows for the implementation of new and changed business models.

### *Focus COO*

The operations department plays an important role in the customer satisfaction and communication. Additionally, it is the central place for analysis (big data) of the customer and product metrics. Based on this that the significance of the Customer Value Index becomes very obvious.

### *Focus CIO*

In the 21<sup>st</sup> century IT plays, or at least it should, an important role in almost any business model. Modern IT architectures allow for a high reaction speed and make the processing of never before seen amounts of data possible. IT also significantly contributes to the creation of customer value by providing a platform for digital communication with the consumers through or about the product. The Digitalization Index plays an important part here as it provides an answer to the question, which potentials exist currently and could be realized in the future.

### *General*

An isolated view on the subject is not advisable because the different topics complement one another and have strong dependencies between them. In order to be successful in the modern business world all the aspects must be considered together. Separate initiatives, such as for example the implementation of social marketing, will never be able to realize their full potential if they lack the possibility to evaluate and use customer data. Even the automation of production processes will only lead to a partial success if it is not synchronized with the logistic units and respectively sales.

The Smart Digitalization Index is concerned with the question to what extend could the products or product components be digitalized. In the case of the saving banks the score is at 77%. This means that there is a large potential for product digitalization, which will lead to the customer benefits being increased or at least remain unchanged. This should initiate changes throughout the whole organization – from marketing to accounting.

The Smart Disruption Index score for the saving banks is at about 82%. This means that a large portion of the products could be split up and digitalized, which will remove existing components in their current form together with their corresponding processes such as, for example, the credit assessment.

What is the conclusion that could be drawn from this? Because of the high Smart Customer Index score, a startup must put in a considerable amount of effort in order to achieve the same value proposition. The high Smart Digitalization Index score, however, allows it to offer, through digitalization, greater customer value at a lower cost. This in combination with the high Smart Disruption Index score shows that the products and the product components of the saving banks could be easily disrupted through digitalization, which will make their current state obsolete in the future and a change will be required in order to stay competitive.

This is exactly the business model of the FinTechs.

Do you want to find out more?

*We will be happy to present you the study without any obligations or you can discover the values for your own organization.*

## Origin

The digitalization spreads further through startups with new business models that capture markets with the use of modern IT systems.

This way of setting up and running a business allows for whole product portfolios to be upgraded, or in worse cases completely replaced, which can have immense consequences for established companies.

On the other hand, we live in a time full of possibilities, which also offers chances for established companies, which already have plenty of experience and knowledge over their customer base. An example here could be the already existing databases, organizational processes, and market experience. Those could be combined with today's modern analysis methods and IT processes in order to create an increased value for the established enterprises.

This study itself is an example for this as it was also prepared using these methods.

This resulted in us posing the following question: can a set of indicators be developed that can make this tangible – reveal risks, find weak areas, but also show chances and approaches that can ensure future success. The starting point was the issue to measure customer value, disruption risks and chances, and digitalization risks. Because of our love for analysis, we have intensively worked on the topic, which led to the creation of this study.

*If you want to see the complete study please do not hesitate to contact us!*



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