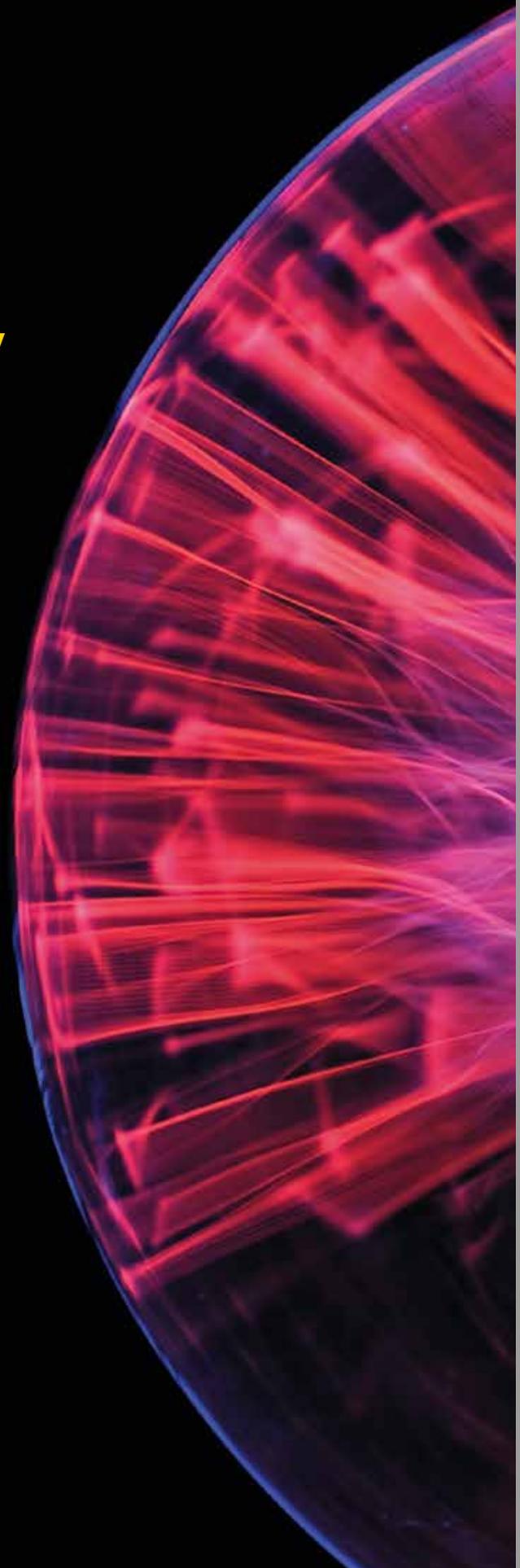


The Tao of digital strategy

Businesses across the world are experiencing the disruption of digital, particularly in the consumer products sector. Yet too often, digital considerations are merely a secondary factor in an overall business strategy, limited to investment in e-commerce. In a fast-evolving market, businesses that follow the principle, or "Tao," of embedding digital approaches to connect with, serve and understand their customers more closely will be the ones who win.





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The Tao of digital strategy

“Tao” or “Dao” is a Chinese concept signifying way, path, route or, sometimes more loosely, doctrine or principle.

In the digital world, Tao attempts to lay down the principles of strategy for businesses, enabling them to achieve their ultimate objectives. The Tao or the route to achieving these digital end goals is by investing in growth ideas, creating efficiencies, optimizing the business or through innovation where new products and services are launched.

Strategy and strategic thinking

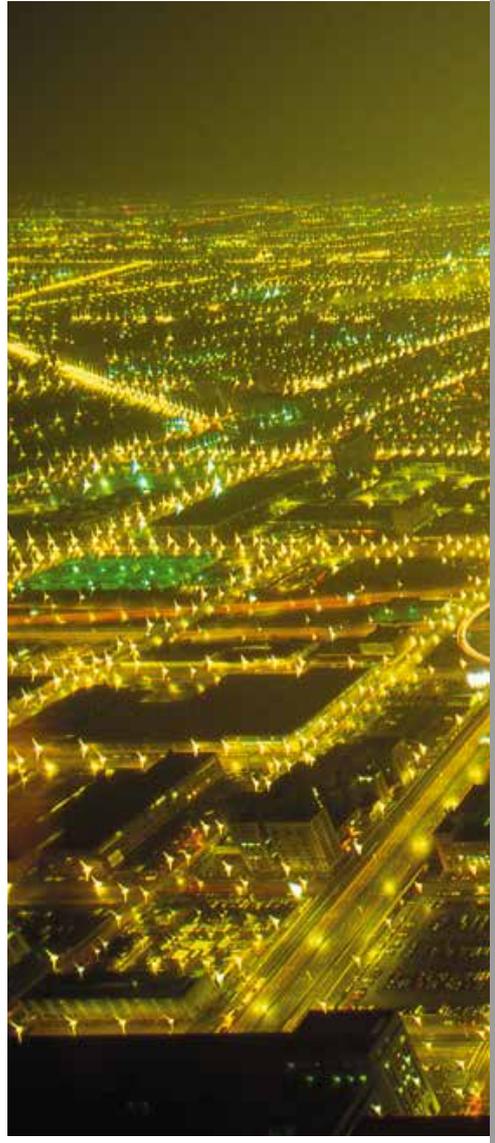
A strategy is a high-level plan to achieve one or more goals under conditions of uncertainty. In business, strategy explains how an organization, when faced with competition or pressures, will achieve superior performance using various formats, such as corporate, growth or operational strategy. The new addition to this list is digital strategy, which helps define a plan to maximize business benefits by investing in digital initiatives and programs for the organization.

For every strategy, there must be a vision and a goal. Consider this example of a strategic vision or mission statement: company ABC’s “20/20” plan, i.e., revenues to grow at 20% per year and the profit margin to be 20% or higher. While framing a strategic view or a vision like this, it is important to identify upfront if it is a good or bad strategic choice. Bad strategy is not simply the absence of good strategy – it grows out of specific misconceptions and

leadership dysfunctions. By contrast, good strategy is coherent action backed up by an argument; it is an effective mixture of thoughts with a basic underlying structure of diagnosis, policy and actions.

Strategic thinking, however, is about promoting unorthodox perspectives, challenging the obvious and fostering divergent thinking and creative solutions. “Lateral thinking”¹ is a similar term coined by Edward de Bono, the strategic thinker and leader. He defines it as a technique of problem solving by approaching problems indirectly at diverse angles, instead of concentrating on one approach, at length. Digital strategy could be thought of as a glue – binding together expected outcomes and practical implementation with a balance of strategic and lateral thinking.

For any strategy, there needs to be a vision. A digital vision would define the role of digital channels and the expected customer and business outcomes as part of a broader business strategy. The vision would act as the primary point of reference, influencing all of the digital activities, and would be broken down into measurable targets. Digital strategy provides, firstly, a full identification and overview of the challenges to achieving this vision, and, then, a diagnosis in terms of a selection of guiding principles that will overcome the obstacles previously identified. Finally, it provides a set of coordinated actions that are designed to put in place the guiding principles through a digital implementation that is aligned to the strategy.



Building for a digital future

A digital business drives revenue and results from new combinations of digital and business resources. Leading digital businesses successfully navigate through a series of complex choices and demanding decisions to find innovative initiatives. Digital businesses are changing the decisions that corporate leaders have to make and the role they play by asking new questions of them. If the disruption has fueled new competitors emerging from previously unrelated industries,

1. “Lateral Thinking and Parallel Thinking™,” Edward de Bono website, www.edwdebono.com/debono/lateral.htm, accessed September 2015.



the CEO of a business today would need to focus on strategic questions such as, "How can a digital strategy help strengthen my company's position, enter new markets and grow the business?"

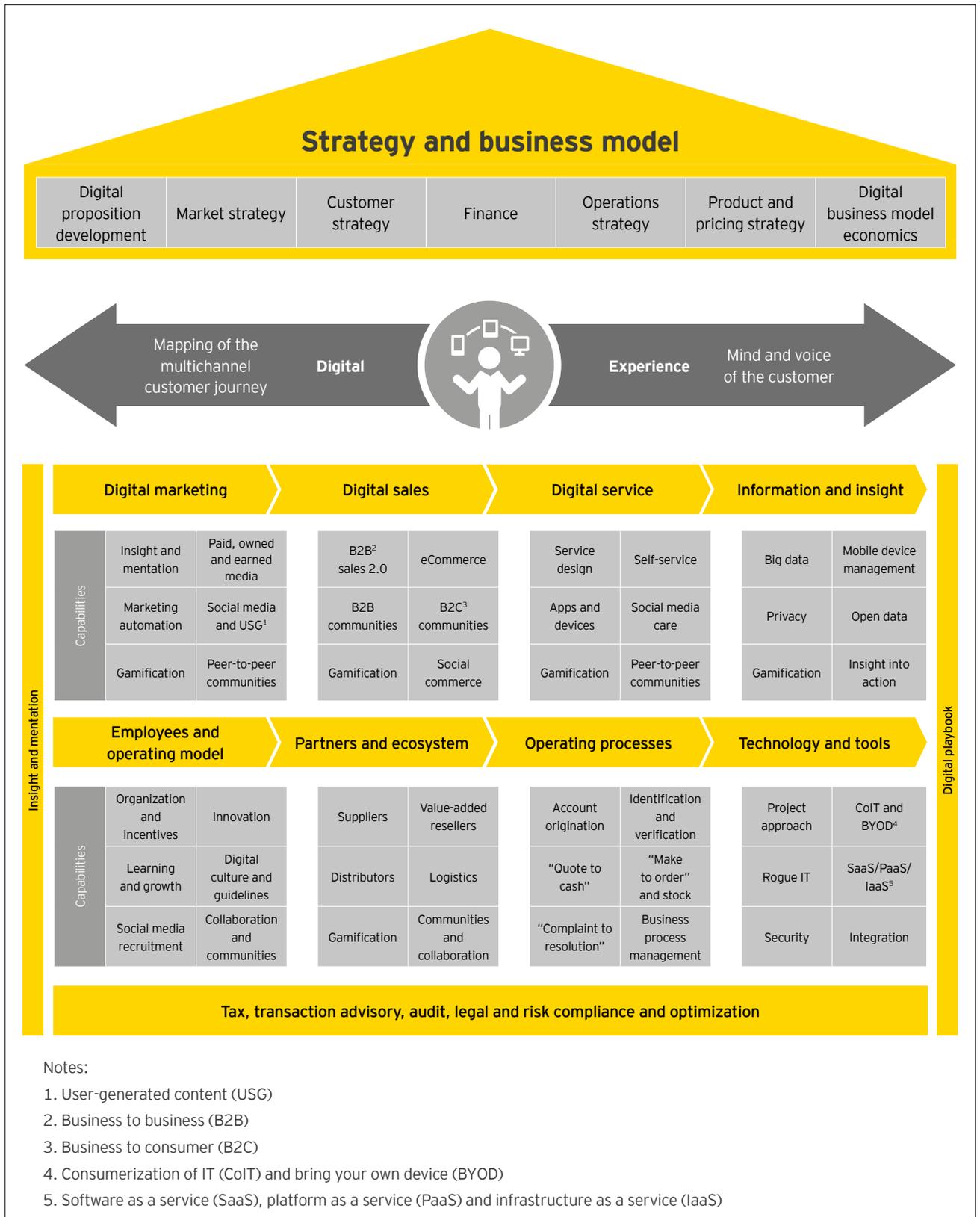
From EY's point of view, enterprises are undergoing changes and evaluating how they need to build for a digital future. Changing forces are impacting customers and business models. Organizations need a digital strategy that embraces this new reality. A digital strategy needs to be well designed and integrated to achieve the business's objectives and help unlock synergies across all channels.

The first challenge in articulating or defining a digital strategy is determining the problem. This requires an understanding of the business situation and challenges. This can be achieved using problem definitions and breaking down the key question into an "issue tree," establishing hypotheses for each issue, and defining analyses to prove or disprove them. Figure 1 provides an example of EY's approach when constructing a digital strategy framework.

In the consumer products sector, digital has shifted control to the consumer or shopper and is a key factor driving the evolution of the value chain.

The Tao of digital strategy

Figure 1. The key elements of a digital strategy



Creating a business model that ensures constant connectivity with the consumer or shopper will not only lead to financial growth, but loyalty and advocacy.

Digital in practice – India

Let us, for a moment, look at the e-commerce consumer products sector in India. The e-commerce ecosystem in India has various players, each with their own unique dynamics. For example, there are “pure play” e-commerce or marketplace companies, traditional companies that offer e-commerce as a channel and payment solution providers (see Figure 2). A digital strategy for a brand getting into e-commerce would encompass a broad array of elements – driven by the overall corporate and operational strategy.

Typically, organizations take different approaches to their strategy based on their

alignment and operational capabilities. In the consumer products sector, digital has shifted control to the consumer or shopper and is a key factor driving the evolution of the value chain. Brands can build early success with a clear digital strategy and vision.

The e-commerce sector has been evolving at a rapid pace and all players in the ecosystem have been changing strategies regularly. Given this dynamic nature, brands have been facing problems planning for the long term with respect to both demand as well as investments.

What are we hearing from these brands and players is that their top three issues

when competing in India’s e-commerce space are that:

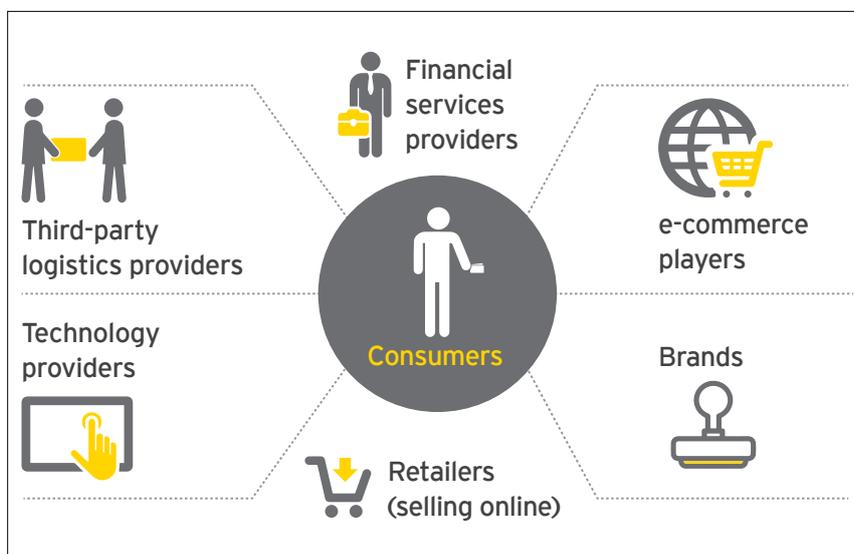
- ▶ Growth is challenging.
- ▶ Costs are hard to control.
- ▶ Consumer behavior is changing.

Fundamental issues to consider include:

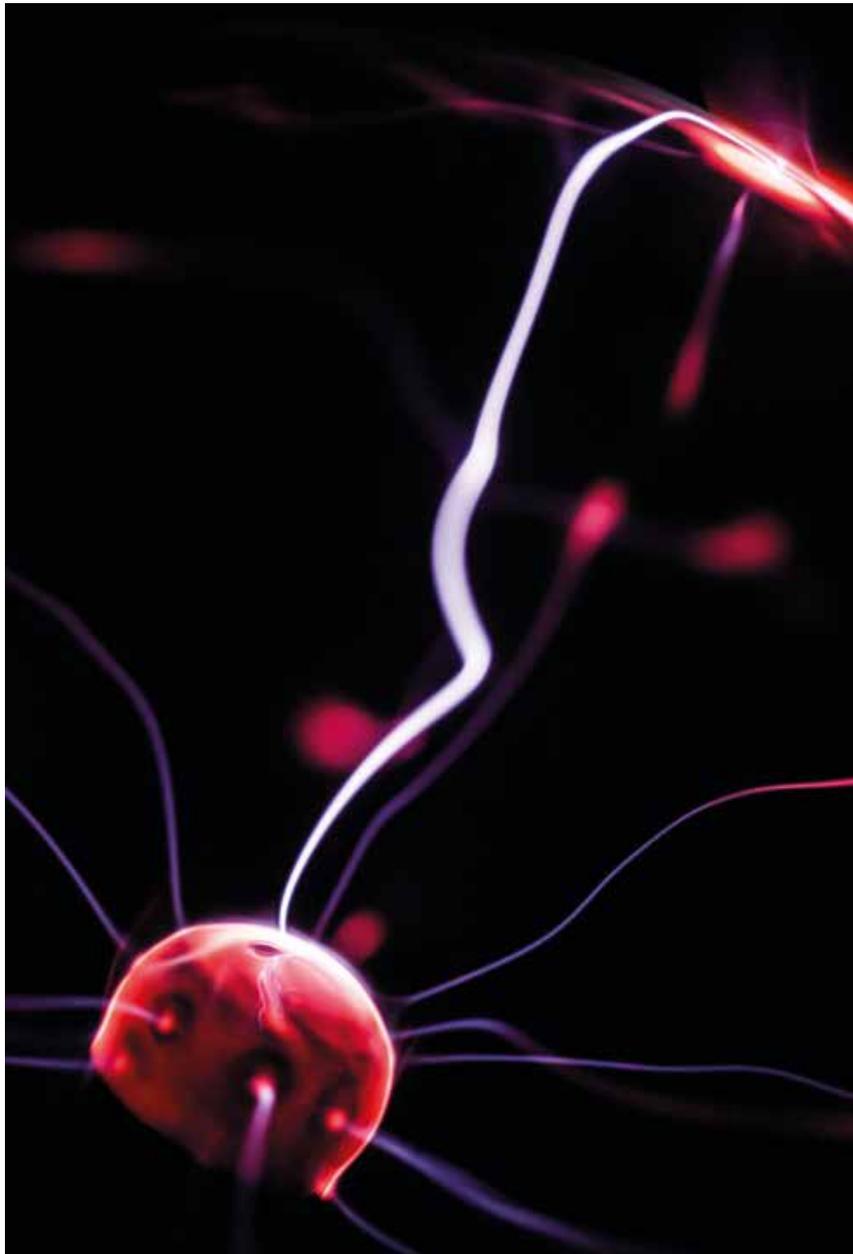
- ▶ Articulating a clear corporate strategy
- ▶ Determining the role of channels across the portfolio
- ▶ Designing new marketing and advertising strategies
- ▶ Building multichannel or omnichannel experiences across store operations
- ▶ Ensuring agility within supply chain operations
- ▶ Disrupting retailer and supplier relationships

Within the marketplace, the players that are most dominant are those who have cornered a large part of the online traffic and market share, thus giving themselves increased bargaining power when negotiating trade terms. The high cost of marketing makes it unviable for brands in the online space to compete across marketplaces to drive traffic. The majority of e-commerce companies are “price players” due to the stiff competition they face and the race to acquire the maximum number of customers. The result is very low margins or none at all for some brands, and a greater portion of their marketing budget is spent on traditional models to attract or retain customers.

Figure 2. India’s e-commerce ecosystem has various players



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A digital strategy will help a company get “up close and personal” with its consumers – merely investing in e-commerce will not help drive growth.

Digital is fundamental

Across the world, digital opportunities in the e-commerce space have been fueled by mobiles and mobile platforms, where vendors can leverage the exponential growth in smartphones and tablets to their benefit. They can use these tools as an effective marketing platform for expanding their reach to new customers and increasing awareness about their products and promotional offers.

Adoption of social media is increasing. This is now considered as a one-stop

platform for enterprises to target consumers across all age groups. Vendors can use data analytics tools and analyze consumer data on social networking websites to understand consumer taste and preference and generate value-added insights to drive e-commerce sales.

A growing digital consumer base in metro cities and non-metros has resulted in players increasing their focus on the potential consumer base. The non-metro cities hold considerable growth potential,

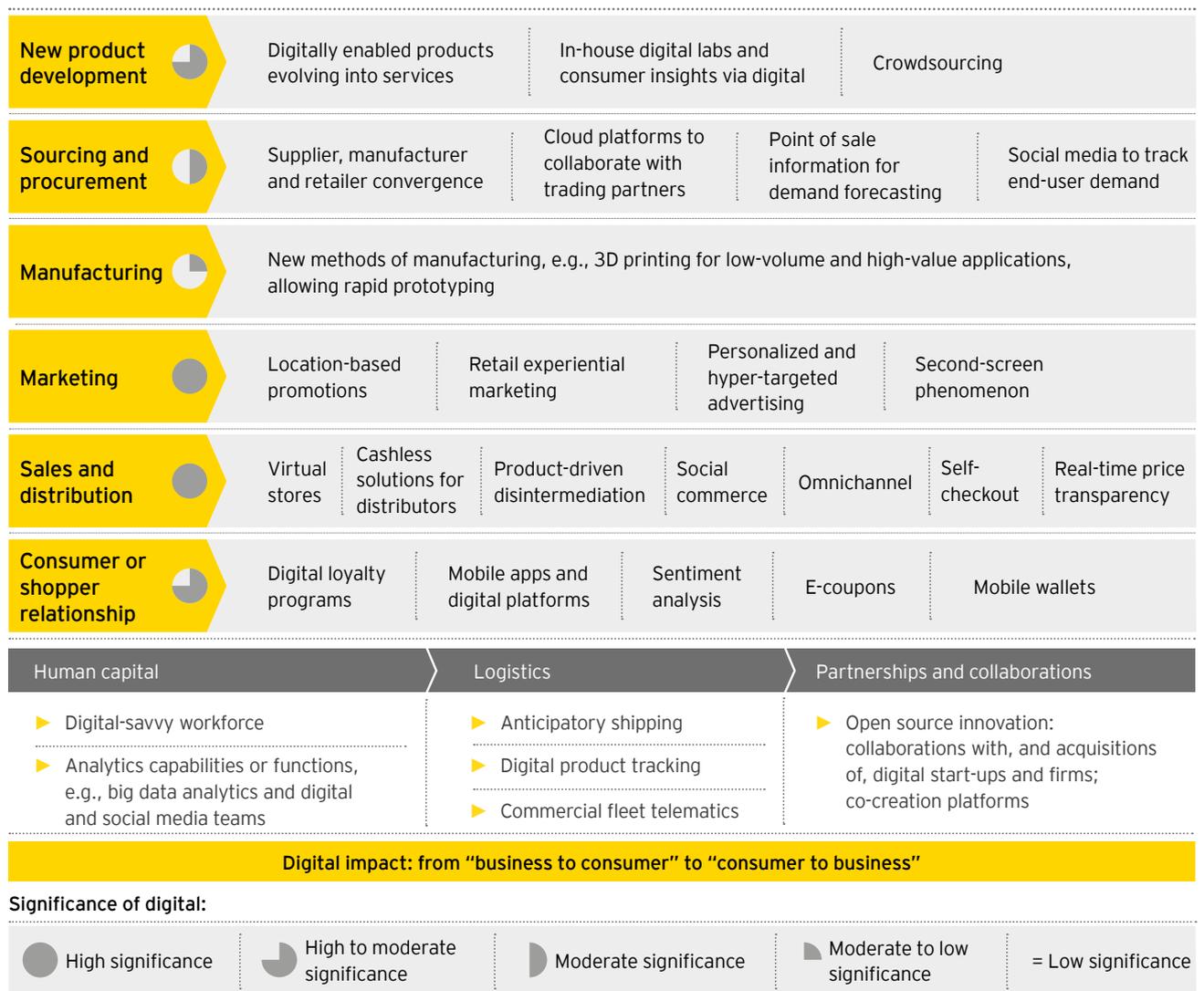
given the increase in disposable income in the country. Vendors investing in understanding their target customer base and market demand are expected to be more effective in targeting untapped markets in these cities.

For any player in the consumer sector, growth would mean investing in digital across the value chain as represented in Figure 3. A very important consideration when choosing a digital strategy for a consumer brand is to first plan for investment in its growth strategy. Targeting the mass segment, so that growth is captured as markets develop, is, arguably, the best way to start.

Connected consumers and shoppers lead to growth. Creating a business model that ensures constant connectivity with the consumer or shopper will not only lead to financial growth, but loyalty and advocacy. Creating intimacy with your customer is one of the cornerstones of digital strategy for omnichannel because, ultimately, it is all about them. Brands should connect with consumers and shoppers whenever, wherever and however they want, and this will help consumers move from being aware of the brand to being their brand advocate.

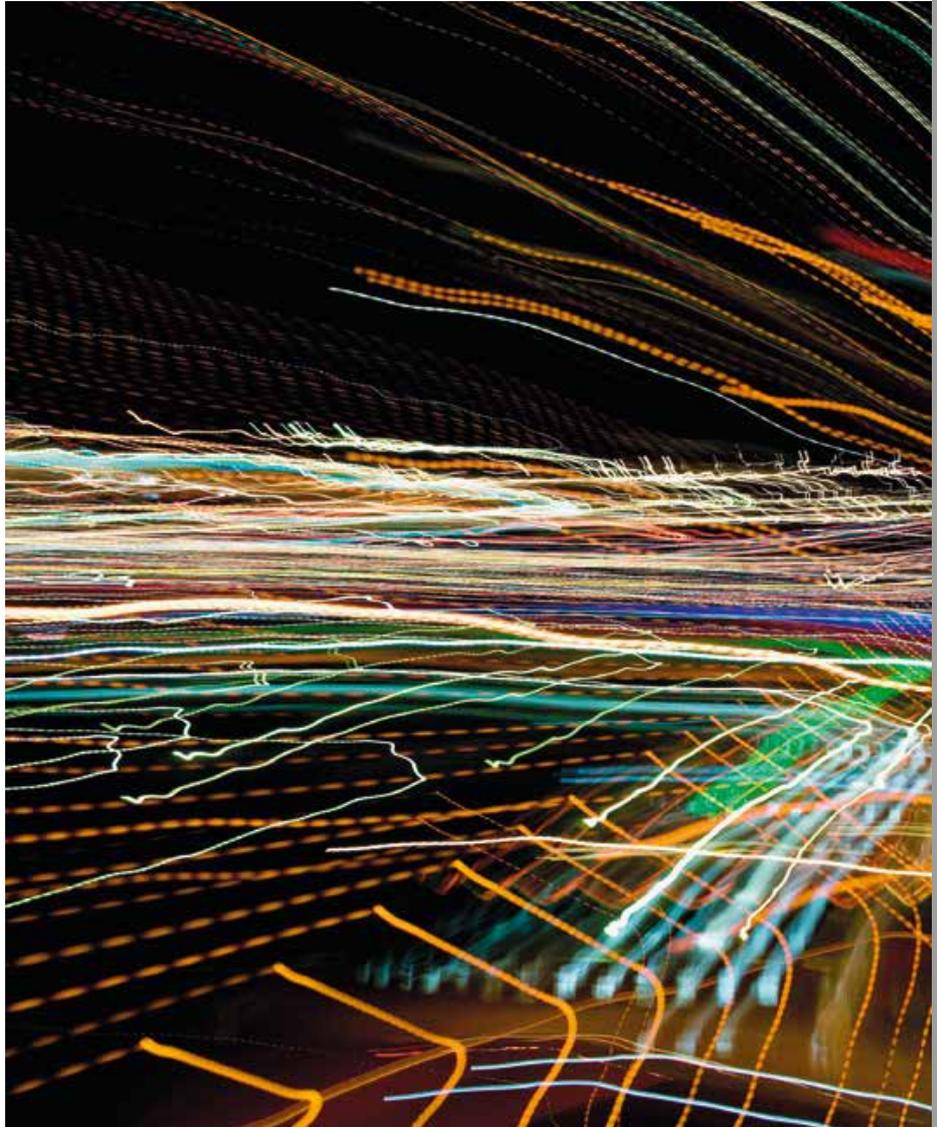
A digital strategy will help a company get “up close and personal” with its consumers – merely investing in e-commerce will not help drive growth. There are complementary digital investments that need to be made in areas such as digital marketing, social media and location-based services that will help build stronger brand and customer service. Opening up a two-way

Figure 3. Key initiatives and investments in digitalization



The Tao of digital strategy

A digital strategy should be integrated with a company's customer strategy so that it can acquire consumers, address markets, define tactical activities and achieve its goals and, in so doing, better engage across its customers' life cycles.



conversation with consumers, using digital channels such as Twitter and Facebook, is another critical consideration.

Building agility into the business is important in order to allow it to scale up or down. Fueled by the right digital investments, it also enables the business to cause disruption within the market. For example, one of the disruptive trends employed by nearly every business with the ambition to grow a larger market share is the exploitation of opportunities created by the growth of mobility and internet penetration. The almost universal adoption of mobile technologies by consumers has created a non-linear path for businesses to grow.

To target this segment of mobile-empowered consumers, brands have been aggressively investing in digital marketing initiatives. Traditional marketing strategies such as "above the line" (ATL), "through the line" (TTL) and "below the line" (BTL) have been complemented with other forms of marketing that blur the offline and online business worlds. Social marketing, mobile marketing and online advertising strategies are the current priorities for new businesses.

Successful brands have been able to provide a strong and consistent digital presence by investing in channels, social listening and customer service and thereby driving consumers to experience the brand – NOT the brand within the channel.



This then creates a seamless experience for the consumer by continuously engaging and communicating with them.

The future is customer centric

Ultimately, for any consumer business, what this all means is that customers have come to expect a new level of experience across channels – which they will choose at a time and place of their liking. Businesses that do not meet consumers’ expectations will lose them. The adoption of new technologies will enable further productivity increases and create stiffer pricing wars. Tracking and monetizing customer insights will be the key differentiator in this game.

Capability requirements will continue to change the landscape and businesses will need to differentiate with better experiences and digital investments.

To conclude, the Tao of digital strategy, today, is for a business to understand its corporate objectives and develop short-term and long-term approaches that help it achieve its vision through investments in digital capabilities. A digital strategy should be integrated with a company’s customer strategy so that it can acquire consumers, address markets, define tactical activities and achieve its goals and, in so doing, better engage across its customers’ life cycles. ■