DIGITAL TRANSFORMATION & CONSUMER TRENDS

The $500 billion missing ingredient in digital transformation
Digital transformation is the shiny new object for every consultancy and agency out there. The numbers are staggering.

Businesses spent more than $1 trillion on digital transformation initiatives in 2017, a number that’s forecast to grow to $1.7 trillion by 2019.

They’re chasing quite a prize: the World Economic Forum estimates the potential global impact of digitalization as being $100 trillion.

However, despite all this, only half of leaders feel they’re successfully executing their digital strategies, with one in five secretly thinking the projects are a waste of time!

Of course there are many reasons why projects fail: a resistant culture, lack of leadership, technical or operational complexity.

But here we’d like to offer four reasons why too often the focus on ‘digital transformation’ misses the point, and show how injecting a consumer trend perspective can help increase your chances of success above that 50% mentioned above. Kind of important when spending your slice of that $1.7 trillion, we’d say ;)
Business spending on digital transformation initiatives:

- $1 trillion in '17
- $1.7 trillion in '19

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$100 trillion global impact.
At TrendWatching we say that a consumer trend is a “new manifestation – in behavior, attitudes and expectations – among consumers of fundamental needs, wants, desires or values.”

At the heart of this definition is the idea that people have certain basic needs and wants that don’t change much year-on-year, if millennia-on-millennia. The quest for social status, the desire for security and community, choosing convenience, seeking trustworthy information...the list goes on.
None of these basic human needs and wants were created by the digital era. But digital technologies enable people to realise those needs in new ways. Connecting with friends and family on social media. Trusting peers in the sharing economy. Real-time access to hyperlocal information.

Understanding the basic human needs and wants that are central to your business will give your digital transformation a purpose.

Why do your customers care that you even exist?
More importantly, this tech-driven innovation fits into a deeply customer-centric but powerful wider business strategy. First, as an online retailer ensuring customers receive clothes that fit well reduces margin-killing returns. Second, this initiative sits within the brand’s effort to promote inclusive fashion and follows its pledge to stop airbrushing models’ appearance.

Retailers have been talking about AR for years, but often applications are gimmicky: how many in-store shoppers want to use ‘magic mirrors’ when they are in the fitting room?! However, rather than being frivolous this is a practical, empowering use of AR technology. About time!

Take the recent initiative from ASOS, the digital native fast fashion brand. In April 2018 the retailer started testing a feature to show how the same outfit looks on people of different sizes. The initiative uses augmented reality (AR) technology to automate the process, because ASOS often stocks over 10,000 items at any one time so photographing every one 3-4 times is not feasible.

Case study:

**ASOS**
Anyone who’s attended a technology conference in the past decade will have heard the cliché that ‘today is going to be the slowest rate of change you’ll experience in the rest of your life!’ And it’s true, the convergence of exponential technology on exponential technology means that every organization will need to be in a state of constant digital transformation.

The key word above is constant. Indeed WTF does ‘digital’ even mean these days? Like ‘online’, the concept is meaningless as every single product, interaction, process or experience becomes digitally produced, managed or delivered.
Back to the main issue: digital transformation implies a ‘before’ and ‘after’ state, where a business is now ‘digitally transformed’. But as Jeff Bezos famously reminds his team, it’s always **Day 1** at Amazon. Day 2 is stasis. Day 2 is death.

Equally, dealing with constant change is exhausting. You need something fixed to navigate towards. What better than the basic human needs and wants that will continue to motivate your customers?

Once you have a clear idea of these, you can enjoy the journey confident that you’re headed in a clear direction. Even if your ultimate destination will forever remain on the horizon as customers continually raise their expectations.

“You have now arrived at your digital destination...”
Case study: Ben & Jerry’s

At Ben & Jerry’s London outlet which opened in May 2018, the company launched a blockchain initiative that let customers offset their carbon footprint. Ben & Jerry’s partnered with the Poseidon Foundation to calculate the environmental impact generated from producing and purchasing a scoop of ice cream. By the end of the one-month pilot, customers had helped save 1,000 trees, covering the equivalent of 77 tennis courts.

Promoting a positive environmental and social agenda has been a part of Ben & Jerry’s brand DNA since its founding. Also, carbon credits have been around for years with many B2C companies purchasing them to offset their environmental impact.

But this has taken place at the corporate level. Now Ben & Jerry’s are enabling customers to offset the impact of a specific purchase. The key enabling factor here is that blockchain enables carbon credits to be bought in tiny fractions, with transactions processed at a disruptively feasible cost. Even when applied to a single scoop of ice cream!

Are Ben & Jerry’s now a ‘digital’ brand? Does this ‘solve’ the underlying environmental issue? Of course not! But it shows how a brand can use technology to create entirely new customer experiences. And that process – of applying new digital capabilities to the customer experience – will never end!
Let’s keep up with the semantics. The very term ‘transformation’ encourages a deeply backward-looking perspective: “how can we update what we already have?”

But we know from having it proven again and again that it’s the second order implications of new technologies that lead to new opportunities. The car and television combined to enable suburbia, which created the mall which gave rise to big brands that could afford to advertise back on those suburban television screens.

When technologies create new behaviors, attitudes and expectations, suddenly the assets that got your organization to where it is today start to look more like liabilities.
It is much easier to create customer experiences that are fit for purpose if you start with a clean slate.

But instead of a totally clean slate, it’s even easier if – having identified the basic needs and wants that are relevant to your organization – you take inspiration from innovators (in other sectors or markets) who are setting customer expectations around these basic needs and wants.

Make this a habit and you will be much better placed to escape the legacy thinking that so many organizations find themselves trapped in.

Why protect legacy ‘assets’ that have become liabilities?
Ford and Tmall partnered to launch a ‘car vending machine’ in Guangzhou in April 2018. The service allows users to book a three-day test drive via the Tmall app, and then uses facial recognition to release the vehicle from the multi-story vending machine. For people with high ratings on Alibaba’s social credit system, the test drives are free. Users can then purchase the car with various financing options, again entirely via the mobile app.

This example shows how taking today’s technology can transform the customer experience, and indeed shatter existing retail structures (in this case, skipping the franchise / dealership model).

Automation, facial recognition, big data, internet of things...they’re all present in this example, but the underlying benefit to the consumer is that they unlock radically easier and cheaper access to what has previously been one of the most high-touch purchase decisions that it was possible to make. Indeed, the brand has said that it wants to make buying a car as ‘easy as buying a can of Coke’.

Are you able to reimagine your industry, your business models, your sale channels and indeed your customer interactions in such a revolutionary way?
The final reason to embed a consumer trend-driven perspective into your digital transformation projects is a far more optimistic one. At last ;) Put simply: there’s infinitely more runway in delighting your customers rather than ‘fixing’ your organization.

Fear is a powerful motivator, of course. Many big brand CEOs talk of their ‘burning platforms’. However, keeping a once-dominant institution alive is hardly likely to attract and inspire the most brilliant people to knock on your door. Silicon Valley, and the tech sector more generally, has inspired thousands of people with the promise of creating something new, and meaningful. Going from zero to one is an exciting leap, much more so than going from eight to ten.
Most incumbent businesses are terrified of disruption, and with good reason. However, as Ben Thompson points out there is an antidote to disruption, which both Apple and Amazon have found. How? Their relentless focus on the customer experience, where it’s impossible to overshoot. Put simply, you can never have too seamless or intuitive a UX (Apple); or too convenient and low-priced goods (Amazon).

So instead of thinking about conservation or restoration, can you turn your organization’s attention to striving for a customer experience that is both perpetually unachievable and, for that reason, all-the-more inspirational?
Case study: Cochlear

Australian hearing aid company Cochlear launched Hearprint, a browser plugin that calibrates online sounds to a listener’s individual hearing ability in April 2018. Hearprint configures video players against four key sound frequencies (250 hz, 1000 hz, 3000 hz, 5000 hz) using an online process with five steps. The free app improves the clarity of sound rather than simply amplifying it.

This innovation demonstrates how understanding emerging consumer expectations, and the trends that underpin them, can help you reach entirely new customer segments. ‘Everyone knows’ that hearing aids are a medical aid to help old people regain their ability to hear.

Right? Well, not anymore. Recognizing that people now expect every aspect of their lives to be able to be seamlessly-yet-exquisitely customized, Cochlear’s browser plugin offers to improve customers’ audio experience, rather than restore it.

Don’t get trapped by ‘everyone knows’ thinking. Is there a new customer expectation that your business could meet? Indeed, could you flip your brand proposition on its head (or should that be ear?!?) as Cochlear has done, and in doing so unlock an entirely new market segment?
Before you embark on an expensive and ambitious digital transformation project, don’t just ask, ‘do we know why we’re transforming?’

Instead ask the more important question, ‘do we know why customers would want us to transform?’
Clients turn to us to support creating their consumer-facing strategy, provide actionable inspiration, share provocative research reports, facilitate successful idea generation and deliver high-impact training, via:

**PREMIUM SERVICE »**
Our end-to-end online trend platform, used by thousands of B2C professionals in 60+ countries.

**TREND KEYNOTES »**
Our world-class thought-leaders deliver 100+ inspirational and actionable trend keynotes a year.

**STRATEGY & INNOVATION WORKSHOPS »**
We’ve facilitated 100+ workshops that make delighting consumers a scalable, repeatable process.

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