An Implementation Tool for *Winning Digital Customers*

HOW TO PITCH DIGITAL TRANSFORMATION

MAKE A COMPELLING CASE FOR TRANSFORMING YOUR COMPANY

HOWARD TIERSKY

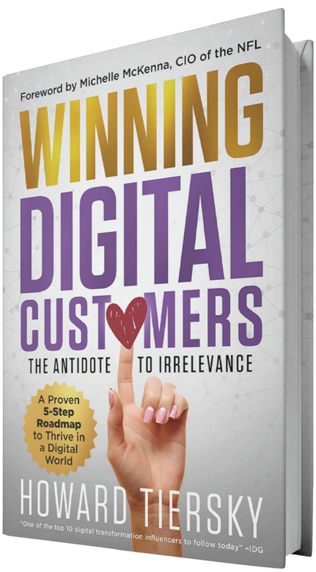
"One of the top 10 digital transformation influencers to follow today" –IDG

This is a special supplemental ebook to Winning Digital Customers. It will walk you through how to build and present a compelling case for digital transformation at your company. If you're trying to secure the organizational buy-in and financial investment that are needed to successfully transform, this book is for you.

If you're reading this but don't have the book, make sure to go to www.WinningDigitalCustomers.com/preorder and buy it. In the book, innovation consultant and Amazon Bestselling Author Howard Tiersky lays out a simple but detailed five step methodology that any company can follow to embark on digital transformation at their company.

THIS PROVEN 5-STEP ROADMAP WILL HELP YOU:

* Conduct insightful customer research
* Envision the customer experience that will maximize your competitiveness in the market
* Align your teams around a vision for digital transformation
* Identify the quick wins that will help you out of the gate
* Ultimately drive the transformation needed to bring your company into alignment with today's digital world.



This roadmap has been developed over decades of helping brands drive digital transformation and it is proven to achieve results.

To take the first step towards leading digital transformation at your company, and go to www.WinningDigitalCustomers.com/preorder to get your copy today!

How to Pitch Digital Transformation to Your Organization

I'm awed by today's massive nautical vessels. In pursuit of this enthusiasm, I've found opportunities to spend time aboard two different US military aircraft carriers. These "airports at sea" are as tall as an office building, are manned by thousands of sailors, usually house 50-60 fighter jets, have many acres of deck space and thousands of tons of armor, and can plow through even rough seas at at around 35 Mph.

But because of their size and weight, if a mission changes while they're headed somewhere and the aircraft carrier needs to turn around, it's a major undertaking. An armored office building moving that fast has a lot of momentum. At a minimum, it takes a distance of over five miles of open ocean to make the turn.

And that 5-mile maneuver is a "hairpin turn" for the aircraft carrier, so you better hold onto something solid because you'll soon be tilting at a 30-degree angle. If you want a nice gentle turn, you may be talking about 20 miles or more.

Scale and momentum aren't the only challenges to getting large enterprises to change. As we've discussed already, most large companies have intentionally, even strategically, structured their operating practices to avoid the perceived risks associated with change.

For an example, let's go back to those giant aircraft carriers for a minute. I was consulting on Digital Transformation at Cisco a number of years ago and got to learn a bit about military procurement of networking equipment. In order to get a contract to supply the routers and switches for a US military vessel such as an aircraft carrier, a supplier has to commit to continue to provide replacement equipment as needed for decades. And those future replacements must not be improved, upgraded, or in any way altered from the original specifications. No change.

Consequently, while Cisco is constantly innovating to provide new, faster, more capable networking gear to the market year after year, they also have to keep manufacturing networking gear that is many, many generations obsolete in order to keep in compliance with its military contracts.

It's worth it for Cisco, because the government will pay far more for replacement units of ancient products than Cisco can charge for the latest model that may be 10 times faster and superior in every way. Every way, that is, except that it requires acceptance of change.

The US military is one of the most technologically sophisticated organizations on the planet. They pioneered the invention of the laser, the computer, the internet, Virtual Reality, Artificial Intelligence, and SPAM (not your junk email, the original canned meat). But despite all that innovation, some of their most expensive ships are running 15-year-old networking gear by design. This is the problem of trying to transform organizations that are risk-averse.

It's not just, "If it ain't broke, don't fix it." It's also, "If it is broke, just fix it back to the way it was before."

Sound crazy? No. If you are going to be successful pitching Digital Transformation you have to see that it's not crazy. There is a reason for this. And when you encounter resistance to organizational transformation, there will always be reasons.

In the case of the military, once they have a ship fully tested and working properly, they don't want to introduce a change that may have unexpected ripple effects. After all, these aircraft carriers are powered by nuclear reactors. That's not something to brush off.

But is it really true that this is an unsolvable dilemma? Either remain stuck in the past or risk nuclear meltdown? Sometimes change does feel that way. It's part of why in a 2016 survey, 69% of transformation leaders scored the ability to "justify the value of digital transformation" through ROI as challenging or very challenging. It's not that nobody sees the upside—it's that their attention is focused on the downside risks, the disruption of the U-turn. It's not imaginary.

If you are pitching Digital Transformation, it's essential to acknowledge and understand the reasons why change may not be desirable to your audience. You have to start from where they are and then lead them to where you want them to go, to paint that compelling vision of the future and bolster their courage to do what must be done.

The Power of Stories

How? There is one tool that is more effective than any other in persuading people to take action, especially when they don't want to. It's stories. Think of the speeches that inspired people over the years. The Gettysburg Address, MLK's I Have A Dream speech, the most effective TED talks. These are all stories, or combinations of different stories.

Why are stories so effective? Let's go back again briefly to Evolutionary Psychology. The human brain is wired to pay close attention to stories because that was how ancient man learned things. When a hunter came back and explained how he managed to successfully track down and kill a bison, escape from an enemy, or protect himself when caught in a storm, listening closely to the details was a way to gain knowledge that could save your life in the future. We have been genetically programmed to seek out stories and listen to the details intently all the way through to the end, if the story follows certain critical structural characteristics which we will address shortly.

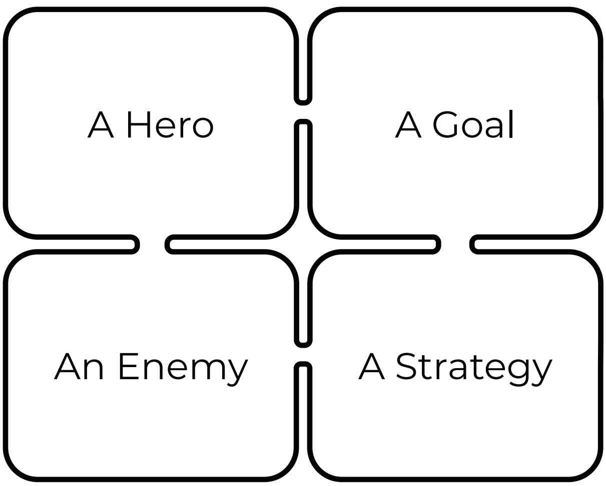
Today, that human drive to hear stories yields billions of dollars for the media industry in the form of movies, television, novels, and other storytelling media designed to scratch that genetic itch. So use stories when you want people to not just pay attention but listen with the readiness to change what they are doing based on what they learn. This is exactly what we want from the audiences of our transformation pitch—for them to hear a story that makes them say "I need to do something different; I need to take action based on that story."

What Makes a Compelling Story?

A list of things you are going to do is not a story. A resource plan or budget is not, in itself, a story. A brilliant vision for an app including its beautiful screen design and list of features is not a story.

A story is a series of incidents, real or invented, usually told in chronological order. A story also has a specific framework that makes those incidents meaningful, which is made up of four key components:

Components of A Story



Component 1: A Hero

Stories have a main character whose decisions and behavior ultimately determine the outcome. In most persuasive storytelling, we want the audience to put themselves in the role of the hero. If the decisions and actions of the hero turn out to be successful, then the audience may want to model them in the future, like the bold “bullet train” vision of Hideo Shima described in Chapter 20 of *Winning Digital Customers.*

If the decisions turn out badly, then the story is a tale of warning, and the audience gains the “experience” of learning what not to do, like the Qianlong Emperor of China’s refusal to consider European guns described in Chapter 3.

Component 2: A Goal

In any story, the hero undertakes some goal—to free the galaxy from the tyranny of The Empire; to be the first woman to pilot a trans-continental flight; to win the world heavyweight championship; to raise a child in a hostile world; to escape from behind enemy lines.

Component 3: An Enemy (or a Substantial Challenge to Overcome)

But good stories do not come from goals easily attained. Heros always have problems that stand between them and their goal. In the movie Tootsie, Dustin Hoffman’s character’s goal is to be an active participant in raising his children. His problem is that his ex-wife (the enemy) is keeping him away.

Component 4: A Strategy

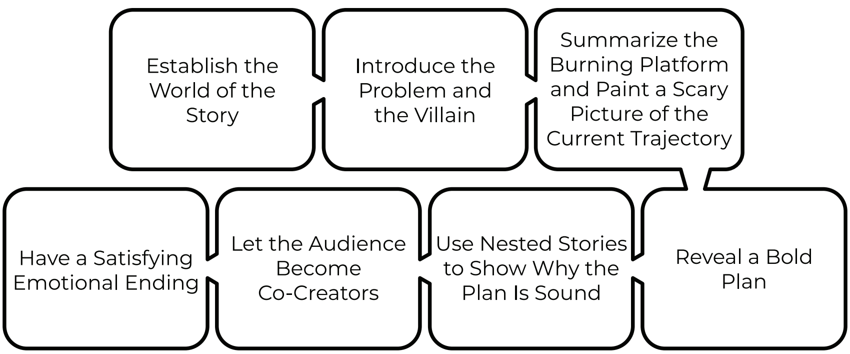
In any story, the hero has to take action to overcome the enemy or problem to try to achieve their goal. In *Tootsie*, the strategy that Dustin Hoffman’s character utilizes is dressing up like a female housekeeper to get a job in his ex-wife’s house so he can be with his children. Much of the interest in stories is in seeing how the hero will creatively overcome his or her challenges through different strategies, some of which may fail, requiring the hero to find another strategy.

If you consider these components, they fit well when pitching Digital Transformation. We only engage in transformation if we have some kind of problem and a goal of overcoming it. It's never easy. There are always problems, and a key part of persuading your audience will be convincing them that you have an effective strategy that can win.

And who is the hero in the story of your pitch? Ideally it's your audience, the people who need to be bold, make a decision, and say "yes." You, the presenter, may also need to be heroic, but there's room for multiple heros in any story. When you make room for the decision makers to be heros too, it becomes much more compelling to sign on.

So let's get specific about how you can build a pitch for digital transformation using this storytelling approach. Here is an outline of a story you can tailor to your own specific situation.

Outline for a Story-Based Digital Transformation Pitch



Step 1. Establish the World of the Story

That generally means describing the current situation. "We have an audience of committed customers. However, that audience has gotten smaller over the last few years, and our revenues have suffered."

Step 2. Introduce the Problem and the Villain

"Digital Disruptors like Google (or insert your company's nemesis) are offering our customers a more innovative experience." Show examples. "And they show no sign of stopping. In fact, it's increasing." Share competitive intelligence.

Step 3. Summarize the Burning Platform and Paint a Scary Picture of the Current Trajectory

"If we don't do something substantially different, we will continue to lose market share to these competitors. While we have brought some new products to market with incremental improvements, they do not appear to be enough to fight off these disruptors of our industry." Share stats.

At this point, you want the audience to be uncomfortable in the same way they are when The Empire starts firing up their planet-destroyer. The situation looks bleak. What will the rebellion do? What do they need? A Plan! You want your audience asking, "So what can we do?" This is the optimal tee-up to the details of your strategy.

Step 4. Reveal a Bold Plan

Now we get to the actual strategy. What is a strategy? A strategy is a plan to get from Point A to Point B. In the original Star Wars movie, the "plan" is for a squadron of X-wing fighters to distract the Death Star while Luke and Han use the code they have stolen to get past the forcefield, fly in through an exhaust vent, and destroy the reactor. You need a plan like that. Your actual strategy may involve a new CMS, an update to the App, more personalization, or increased spending on SEM. Whatever it is, you are laying it out.

By structuring your pitch as a story, you have the audience on the edge of their seats begging to hear about these technical details, whereas if you just started in with the plan, it might be boring.

But once you lay out the plan to stop the deadly threat you've established, will everyone be on board? Not necessarily, because there will be open questions, with the primary one being, "Will the plan work?"

When the resistance is briefed on the plan for the attack on the Death Star, everyone in the room is risking their lives if they carry out the plan. They understandably have some skeptical questions, but the General briefing them has well thought-out answers. You can watch the scene at: wdc.ht/STARWARS. Similarly, for large-scale Digital Transformations, many people feel as though they are risking their jobs or careers if they "go for" an ambitious plan. Be ready with good responses.

Step 5. Use Nested Stories to Show Why the Plan Is Sound

As we've discussed throughout the book, business results are driven by customer behavior, which is ultimately triggered in response to customer experiences. Your plan should lay out your hypothesis that if we take certain actions in terms of executing the future state experience journey, customers will respond in a specific way. It's helpful to bring that plan to life through a nested story, or several.

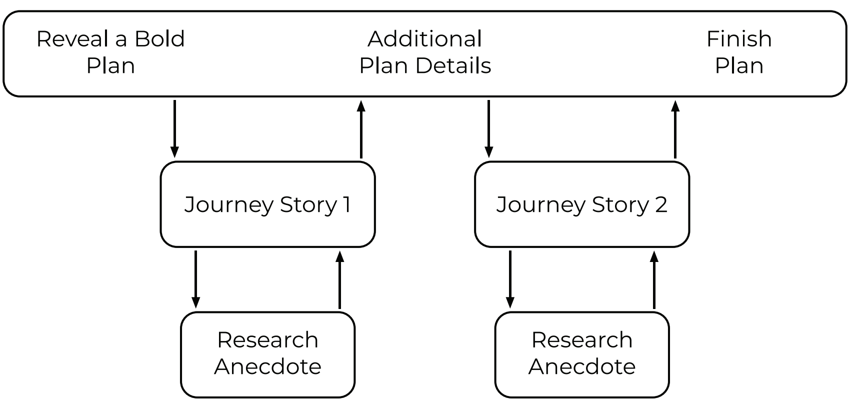
A nested story simply means that, while telling one story, you drop down into another story, finish it, and then go up and finish the original story. A classic example is The Wizard of Oz. The story begins by focusing on Dorothy's life in Kansas, then it drops down to a totally different story about her experiences in Oz, and then comes back at the end to complete the original story.

Your pitch up until now has been about the story of your company, the challenges it faces, and a strategy to overcome it. Before you complete that story, you can drop down to another story, or several, that illustrate your strategy in actions. These stories are the future state customer journey maps we focused on in Chapter 11.

Each journey is the story of a different persona of customer (the hero), the goals they have, whatever challenge leads them to need the help of your brand to achieve their goal, and how you give them a great experience while accomplishing it. You can describe how the future vision of the customer experience will make that customer successful and, by the end of each story, leave your company with more money and your brand more love.

You may even find that, in some cases, it works to briefly interrupt those stories to drop down to a third level of nested story if you have some good, short anecdotes from the customer research that explain why the customer journeys, as told, are accurate. For example, in the middle of describing how the fictitious "Amanda" persona uses the chatbot to check her order, you can mention how you had one customer in the research who described how much they enjoyed using a competitor's chat bot for the same purpose, and then go back to the Amanda story. And once Amanda's story is done, you go back up to the top level, the story of the Digital Transformation of your company. A bit later you may drop back down into another Journey Map story, then back up to your main story and finish it off. Your flow might look something like this:

3-Level Nested Story Structure



Nested stories actually inspire more audience attention because they create suspense.

Step 6. Let the Audience Become Co-Creators

Of course, your audience may still have some uncertainties about whether your story will play out precisely as you have told it.

If we do X, how certain are we that Y will occur? If we approach the Death Star with an X-wing fighter, will they really let us through, or will they shoot us down? If we shoot the ventilation shaft, will we really blow up the Death Star? How do we know that? What makes us think that?

This is the time to pull out the facts, figures, and stories that support your strategy. In Star Wars, we have some inside intelligence and blueprints of the Death Star that give confidence in the latter, and we have a sort of vague belief that the Death Star won't see one small ship as a threat.

At this point, the story can become interactive, like a great campfire story. Because your audience will know that you can't be precisely certain about how the story will play out, they may wish to play "choose your own adventure" with your story. "Well, what if our competitors do X?" "What if customers don't respond as rapidly as we hope?" Or, "What if our technical architecture isn't able to handle the scale?" At this point, it's a little like a night at the improv. Your audience is throwing out new conflicts for your story, and your job will be to be prepared to tell them how the story would adjust, if needed, for these twists and turns.

Your audience may also look to edit down parts of your story. That's fine and a good sign, as it means they are increasingly becoming co-authors rather than just a passive audience.

Think of a strategy as a set of dominos. If we do A, and that causes B, then B causes C, and C causes the stock price to rise, and so on. Any activity that is not part of that flow of dominoes is probably unnecessary and should be removed.

However, if there are certain elements of your plan that are not strictly necessary for success but nonetheless increase the likelihood or speed of success or reduce risk, you may be able to successfully defend them. Why does the rebellion need an entire squadron to attack the Death Star when only one ship is actually going to go inside and destroy the reactor? Well, it reduces the risk of the key ship being stopped by providing a distraction, and it provides a backup if the first ship doesn't make it. It's not necessary, but it's part of a smart plan.

In your digital plan, you may have several tactics, all of which are designed to increase the size of your mailing list. Strictly speaking, you could use fewer methods to simplify the plan, but if one of the methods fails, your domino chain could break. Furthermore, if all approaches are successful, you potentially reach your goal faster, so it's sensible to use all of the tactics.

Step 7. Have A Satisfying Emotional Ending

Don't let your pitch end just because there are no more questions. Good stories have satisfying emotional endings. Once the Q&A is finished, end your pitch with a reminder to the listener of what it's all about. What is the definition of victory, at a company level and at a personal level? Yes, Rocky won the title and got lots of money and fame, but he also proved to himself and Adrienne that he had it in him. Inspire people on both levels.

Any strategy has risks, so for people to sign up and wake up every day committed to making the story real, they need to not just see but also feel the victory on the other side of that risk. Whether it's saving the galaxy from tyranny or successfully transforming your company to thrive in a digital world, the desired ending should have genuine emotional resonance.

How to Write a Digital Strategy

The story we just went through is the "pitch" for Digital Transformation. But once it's approved, you will need something with more detail: a blueprint for all the different teams we discussed earlier to understand and follow. It may contain a level of detail that isn't interesting to The Board or top executives but will be critical to the teams implementing. This document is your Digital Strategy.

If I told you I had a document in my hand that was the new digital strategy for your company, what would you expect it to contain? A list of projects? A "mission" statement? A technology vision? A competitive market analysis? A financial forecast?

One of the problems with the label "digital strategy" is that there's not a common understanding of what it actually means or should contain. Naturally, the needs vary by company, but what if I said I had one menu for a Chinese restaurant and one for an Italian restaurant? Of course, there would be some differences, but there would also be some similarities; both would contain a list of foods you can order and their prices.

While we know what to expect to see in a menu, what should we expect to find in a digital strategy? We develop digital strategies for companies from media to retail to financial services, and we use a ten-chapter outline for our digital strategy documents. Starting from this point, we often then customize, which I'd encourage you to do as well. Consider this a cheat-sheet that, if it works for your organization, can form the basis for your digital strategy.

Chapter 1: Our Current Situation

Describe your company's current situation vis-a-vis digital. Outline the digital touchpoints that currently exist, how recently they have been "remodeled," how you measure their performance, and what feedback you receive from both customers and stakeholders. Neither exaggerate the problems nor sweep them under the rug. The idea is to present a clear, objective, and fact-based description of the current state. Ideally, cite specific stats such as conversion, ad revenue, usability testing results, or other data-driven "evidence" for your position. Also, describe any obvious gaps in your digital landscape. If you have clarity on the reasons for some of the problems or gaps (technical issues, business process issues, etc.), then state these as well.

Chapter 2: The Customer and Competitive Landscape

Describe your customer segments succinctly. What is understood about their current needs? How have they changed? Ideally, cite evidence from market research. In particular, how have their channel/touchpoint preferences and expectations been evolving? What does that suggest about what your brand needs to do to stay relevant? If you have data to support it, describe how the current digital ecosystem for your company impacts your customer's perception, behavior, and purchase decisions (either positively or negatively—you may have examples of both).

Now take a look at competitors. Your customers are evaluating you against your competitive set; what are they offering regarding a digital experience? How does it differ from what your brand is doing? What success metrics do you have available to indicate how successful competitive efforts are?

Remember, not everything your competitor is doing differently is necessarily successful. Also make sure to look not only at traditional, large competitors but also at smaller competitors who might be more nimble or creative despite not taking a significant market share (yet). Look also at "comparative" brands. If you are a hotel, what are airlines doing? What is Uber or Amazon doing? And how are their latest innovations both creating new expectations adopted by your customers and highlighting opportunities for your industry to do something similar?

Chapter 3: Trends

Chapters One and Two describe the current state. Chapter Three is your space to forecast the future. What trends are likely to impact your customer and your industry over the next few years? I suggest focusing on a 2-3-year time horizon. In today's fast-moving world, trying to forecast farther than that is too inaccurate. What kind of trends should you focus on? Certainly focus on digital trends, such as the shift to mobile or other digital technologies that may be relevant to your industry (wearables, VR, AR, chatbots, etc.). But also focus on trends that may not be inherently digital but may have a significant impact on your industry over the next few years. These could be growth in China, the different priorities of the millennial generation, etc.

Chapter 4: Our Assets

Nothing in the outline of the first three chapters is inherently good news or bad news. It's just a journalistic perspective on your brand, your customers, and your competitors—where they are today and where they are going in the future. It's not uncommon for it to be an inventory of all the ways you are behind, and that can be a bit of a downer. This chapter is your opportunity to remind the reader of any untapped assets you may have that might be able to help you leap ahead. What kind of asset should you describe? Here are some ideas. Consider which ones apply to your situation:

i. Your Brand

How is your brand viewed by customers? Even if you are behind the curve in digital, it takes a long time to build a trusted brand. That's worth a lot, and, if you catch up, that brand may be a huge competitive weapon, even against companies who seem to be ahead of you today.

ii. Your Content

Perhaps you have a backlog of content that is not being fully leveraged. A new digital strategy may enable you to tap value that is currently latent.

iii. Technology

You might have some proprietary technology that, if connected to a stronger digital touchpoint, could enable you to bring capabilities to the market that would be difficult for others to match.

iv. Your People and Their Skills

Your organization may be uniquely good at something. Perhaps there is a way to leverage that strength. Or you may have specific individuals whose talents aren't fully leveraged but who could make a major difference if given the opportunity to drive new digital strategies.

v. All Your Other Assets

From scale to licensed IP, companies have many other assets—far too many to list here. Try to inventory everything you have to work with. Consider which other assets might have a place in developing a strategy that provides sustainable competitive differentiation.

Chapter 5: The Future Customer Journey

Chapter Five is where you describe your vision of the future. You have been setting up the rationale for change in the previous four chapters; this is where you propose your solution. Describe how the customer will interact with your brand differently in the future. What changes will be made to the different touchpoints? How does their journey play out from initial introduction to your brand, through the phases of initial interest and research, through their purchase decisions, experience of your product or service, problem resolution, and future re-purchase?

Describe your customer, their situation, and their priorities. Tell a compelling story that rings the user's intuitive bell that this future journey will both be far better for the customer and lead to better business outcomes for the brand. Support the alignment with customer needs via research data where available.

One format for describing the customer journey is a roadmap, as described in this article. However you describe it, your strategy should align with the three key priorities of a successful digital business.

Chapter 6: Money and Business Model

If you have done a good job in Chapter Five, you now have your reader or listener (if it's a presentation) thinking, "Sounds great, but how much is this going to cost?" Chapter Six is where you lay out three things—roughly what implementing this strategy will cost, what your projections are for financial return, and how the business model under the new strategy changes, if at all.

Clarity around investment and returns is what separates digital strategies that sound good from the ones that actually get done. After all, an ambitious digital strategy for a major brand is likely to be a substantial investment. Most of the time those at the CFO- and CEO-level making investment decisions of that scale are not doing it because of the inherent virtue of digital but because they expect a return that justifies the decision. You must help them see your story in the kind of financial language that they use to make all of their other decisions. Be sure to describe not only the total budget but how much you anticipate will be capital versus operating budget and what the cash flow timing looks like. You'll want someone from your finance department to be involved in modeling this in spreadsheet form.

Chapter 7: Technology

It's quite likely that your new strategy will be closely tied to technology. In Chapter Seven, describe the technologies that are needed. It's not essential to describe hardcore "tech" details or reference specific software tools. Rather, the idea here is to describe the key technology requirements you have for achieving the strategy.

Chapter 8: Business Process and Organization

Often a substantial digital transformation will change the way you do business. If so, then no doubt you will need to reconsider various business processes or parts of your organizational structure. Chapter Eight should describe the types of changes that may be needed.

Chapter 9: Timeline and Challenges

In Chapter Nine, you lay out a detailed quarter-by-quarter plan of how you intend to proceed. In addition, be upfront about the assumptions, risks, and anticipated challenges your strategy will face. It may seem like it would be better to keep quiet about possible risks, but, actually, the opposite is true for two reasons. First, it adds credibility to your plan and process to show you're realistic about the possible roadblocks and are already thinking about how to avoid them. And, second, when you get funded, and your project actually does encounter challenges, it won't be a shock to your stakeholders. Most major transformations encounter a lot of twists and turns, so you need the sustained support as well as the initial support of your key stakeholders. Having a frank conversation about the things that could go wrong in advance plants the seeds for their support when you need it in the future.

Chapter 10: The Cost of Failure

The last chapter addresses the question, "What if we don't do it?" Or, "What if we do it half-heartedly?" Digital transformation projects inevitably involve risks. And, really, wouldn't we all rather avoid risk? This last chapter is the time to describe the risks of not proceeding or not fully proceeding.

How will this impact sales? How will it impact your brand? If you just delay a year or two and then proceed, how will that impact your ability to catch up to the market?

So there you are: ten chapters of your digital strategy (or at least a starting point). One final suggestion is to make the development of your strategy an inclusive process. These days, an effective digital strategy touches every part of an organization, and people can be quite resistant to an outside "digital team" deciding their fate for them. Furthermore, I suggest you create an inclusive process around the finalization of your digital strategy outline before you begin the process of developing the strategy. To the point with which I began, there is a risk that, when you come back to your CMO or your CEO with "The Digital Strategy," they may be surprised by what is and what isn't covered. You can use this outline as a starting discussion point to gauge their expectations and jointly agree on what the strategy actually needs to address so that its scope and structure meet their expectations. That way, you can focus on the substance.

Five Arguments to Drive the Need for Change

Stories move people, but you also need to make sure that, within that story, you have laid out a compelling business rationale. We described "Step 1" of the story outline as painting a picture of the world of the story—in other words, laying out the reasons why change is a must.

Here are some common arguments that we've seen succeed in moving the idea of a major investment from "nice to do" or "should do" to "must do now." You'll need to determine which fit your current situation. Perhaps several do.

Five Arguments to Drive the Need for Change

Argument 1: We're Getting Clobbered

If your business has taken a dive, if competitors are eating you for lunch, if your customers are defecting, then congratulations. That's fantastic news if you're trying to sell transformation. It's easier to sell people on change if their world is crumbling around them. Easier, but not always a no-brainer. When times are tough, there's also a tendency to batten down the hatches and try to "weather the storm." The key here is creating a compelling case that the factors currently harming the business are not a "storm" but rather a new reality. The company must change radically in order to regain its former success.

Argument 2: Our Competitors Are Changing Faster Than We Are

Even if you aren't getting clobbered yet, your competitors may be moving more rapidly than you are towards a "next generation" offering. If this describes your situation, you have a strong argument for change. In some industries, being "first to market" with new features or benefits can mean life or death.

However, there's also a counterargument of the "fast follower," in which a company intentionally allows their competitors to suffer the "slings and arrows" of innovation and then simply copies their successful ideas. Be prepared to respond to those who use this argument to resist change.

One argument is that in order to be a "fast follower," you need flexible frameworks, microservices, and the other tools that Digitally Driven companies have. Otherwise, you are likely to be a very slow follower once you decide to take action.

Argument 3: Our Customers Are Changing

When customers change, we must adapt or expect to lose those customers. The needs of customers can change in various ways. Current customers may develop different expectations or needs due to changing technology, fashion, or other trends. The makeup of your customer base may be changing on its own (through generational change or demographic shifts, for example). Or you may be moving into new markets, and the growth you are experiencing is coming from customers with different needs.

Naturally, most CFOs will look first to see where existing offerings can be "tweaked" to meet the changing needs of customers. In cases where this is a practical short-term solution, it makes sense to do so.

However, there's a case to be made that members of the millennial generation and beyond are not going to accept "tweaked" versions of their parents' products and services. When you can demonstrate that customer needs are changing significantly, you are well equipped to prove that a transformation is needed in order to survive and thrive.

Argument 4: Our Regulatory Environment Is Changing

Regulatory changes can be one of the most powerful forces for driving rapid change since failure to change can subject a company to stiff penalties—even criminal prosecution. When you have a government helping you demand change, it certainly makes the argument far easier. In other cases, regulatory changes may not create a legal imperative but nonetheless significantly alter your market or competitive options.

Argument 5: Growth is Imperative, and We Can't Scale to the Next Level

Public companies must grow or fear the punishment of shareholders. If your current systems or processes are at a breaking point, and a different approach is needed to increase business by a significant margin, you have a strong argument for transformational change.

If your company is forecasting significant growth, but the growth has not yet arrived, it can be tempting to put off the change until it's absolutely necessary. However, that can result in substantial pain. Failing to begin the transformation that delivers increased scalability far enough in advance can leave you flat footed and unable to deliver on the growth opportunities when they arrive. Once you have reached the breaking point, it's painful to discover that the needed change will take a year to implement and that in the meantime, you'll experience hampered growth, massively increased costs, or customer dissatisfaction.

No matter which of these platforms you use to justify change (or even if you use a different one), consider these three ingredients to make your pitch more successful:

- Lay out the burning platform and support it with third-party data so that the need is difficult to refute.

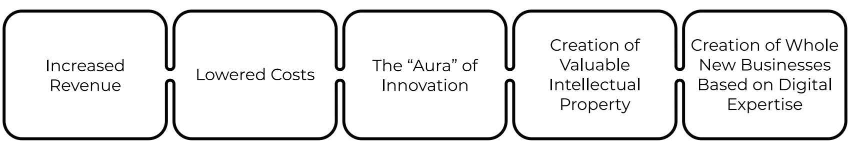
- Follow up a general case for change with a proposal for a specific transformation that is a compelling solution to the problem.

- Propose a stage-gate process with clearly defined checkpoints that let stakeholders verify that the investment is yielding the expected outcomes at each step of the way.

Domains of Value to Incorporate Into Your Pitch

Successful Digital Transformation isn't just about avoiding calamity—it's about creating positive results. There are five primary domains of value realized from Digital Transformation efforts. And, in fact, most transformations have the potential to generate value in all five domains. Naturally, you will want to highlight all of the domains of value that apply to your situation in your pitch and provide some details about the anticipated benefits.

Domains of Value



Domain 1: Increased Revenue

The first and perhaps most obvious reason to transform is to grow the business. We've outlined a variety of these direct business benefits in our discussion of the Strategic Customer Experience Model in Chapter 5 of Winning Digital Customers, including attracting new customers, finding whole new markets of customers, upselling or cross-selling more effectively, retaining customers for longer, or justifying an increase in price.

Domain 2: Lowered Costs

While digital transformation can cost quite a lot of money, it can often result in significant monetary savings over time. For example, it can help increase efficiencies in business processes or marketing, increase sales directly to customers, thereby reducing distribution cost, or replace physical products with digital ones, eliminating manufacturing, and shipping costs.

Domain 3: The "Aura" of Innovation

A third domain of benefit is what we call the "aura" of innovation. Companies that are innovating can achieve certain benefits simply from the positive perception this aura can create, such as:

- Customers sticking with your existing product line due to the belief that better things will be coming in the near future.

- Employees being energized about the company and brand.

- Prospective new employees being more attracted to the company because they want to be part of something innovative.

- Investors increasing their confidence and valuation of the company due to optimism about the future.

- Media and the press treating your brand more favorably.

Domain 4: Creation of Valuable Intellectual Property

The fourth category is the creation of intellectual property that may have realizable value in and of itself, independent of its actual implementation. Recently, we have seen companies whose business operations have failed, such as Novell and Palm, still be sold for very substantial sums because of the value of their patent portfolios—intellectual property value which remains long after revenue has dried up and the "aura" of innovation has faded.

While firms in certain industries, such as high tech, media and pharmaceuticals, tend to be well-tuned to the importance of their patent portfolios, clients in other industries such as financial services, retail, manufacturing, and energy tend not to focus on these areas. Nevertheless, they can be compelling areas of opportunity.

Domain 5: Creation of Whole New Businesses Based on Digital Expertise

Some companies have created digital capabilities for themselves that were so differentiated that they were able to establish whole new businesses providing those same services to others. Amazon, for example, created substantial capabilities around running data centers for its own operations, then used these capabilities to create Amazon Web Services. Today, Amazon Web Services is a multi-billion dollar operation providing web hosting and software as a service to other businesses, and it is much more profitable than Amazon's retail arm.

Embrace the Risk as Part of the Story

Something could go wrong. Things might not work. You might misstep. In fact, you probably will. Your audience inevitably knows this, so you are better off embracing it in your pitch than trying to deny or ignore it.

Here's the good news: CEOs and those managing business units understand a lot about risk. You could make the argument that managing risk is their main job. In their personal financial portfolios, when deciding where to invest money so as to achieve the biggest upside with the lowest risk of downside in the public market, they know that if someone offers them a stock with supposedly huge returns and zero risk of downside, it's time to run the other way.

Digital Transformation has many potential risks. But the truth is that

When the world is changing, failure to change is riskier than change itself.

As change *agents*, our job is to communicate the risks in such a way that the risks make solid business sense.
Once you have alignment around the idea that some level of risk is acceptable and necessary, a key way to gain confidence from enterprise stakeholders is to show that you are thoroughly mindful of the different types of risks that your efforts face and are developing smart remediation strategies. For example, here are five common types of risks that Digital Transformation projects face and some ways those risks can be reduced.

The 5 Primary Types of Risk

Risk Type 1: Implementation Risk

You could have a great idea but just fail to pull it off. The technology could fail, the manufacturing process could produce too many defects, or the cost might be way higher than anticipated. Apple recently wanted to improve iPhone screens by making them out of sapphire. Sapphire is an extremely durable but clear material used for the "glass" in very expensive watches like Rolexes, but it had never been produced at the massive scale that Apple needed. Bottom line, it didn't work. Total failure. A year or so later, the machines were being sold, and the factory closed.

Most implementation failures are the result of the unforeseen. The best antidote is having a diverse team collaborating effectively together to consider the key aspects that are essential to implementation in an orchestrated way well in advance of actual implementation.

Another strategy to avoid implementation failure is to not overcomplicate what you are trying to implement. Use the concept of the Minimum Viable Product discussed in Chapter 16 of Winning Digital Customers, where less ambitious initial launches lead to more sophisticated ones. If you can significantly reduce the complexity of bringing the product to market, you can more successfully mediate the implementation risk.

Risk Type 2: Adoption Failure

Even if your product is perfectly executed according to vision, there's always the risk that people just won't like it. Conducting customer research and following the Design Thinking 2.0 process substantially reduce this risk, and it's a good idea to provide executives an extremely high level understanding of those processes.

Digital Appendix: *To aid you in this, we have some simple slides explaining these concepts available at WinningDigitalCustomers.com.*

Risk Type 3: Disintermediation or Cannibalization

Cannibalization is an example of "failure by success." It's the risk that a new digital channel will take money away from another area of the business (like offline channels).

Tim Cook recently shared Apple's philosophy about new products cannibalizing their preexisting product lines. He figures that if Apple doesn't do it, someone else will, so they might as well embrace it. Clearly the iPhone cannibalized the iPod, and the iPad is doing the same to the Macbook, so there's good evidence that cannibalization is a risk worth taking.

Disintermediation is similar but means taking business away from key partners. For example, it could be that direct sales to customers cut out distributors or third party retailers, causing them to retaliate in another area of the business relationship.

When it comes to concerns about business relationships with distributors or retailers, there is a wide recognition in most industries today that there is little exclusivity of distribution, and that retailers often compete with the direct sales of manufacturers. The main principle here is to ensure a level playing field between your direct sales operations and the opportunities your distribution partners have to make money.

Risk Type 4: Legal Risk

The fourth category of risk is arguably another success scenario. When new ideas start to gain success, it can result in legal action against the company from third parties and governments who interpret an innovation as a violation of some law or regulation.

Anytime you move into uncharted water, it can be unclear what the legal ramifications will be. Airbnb and Uber are constantly fighting legal battles, while their valuation has climbed to tens of billions of dollars. When Google launched, they faced legal challenges surrounding whether or not it was legal for them to index other people's sites on the internet.

It's also possible that the company has standing agreements with third parties that were originally written with the assumption that your company operates in a certain way. When you start changing how you market, distribute, or serve customers, there is always a risk that you are getting out of sync with the terms in one or more of those contracts. Great companies always want to deliver on their commitments, but there are times when it makes sense to renegotiate or take the risk that another company might have some legitimate dispute if the consequences of a dispute are dwarfed by the needs of the transformation, even if you wind up having to settle a claim of breach of contract.

The reality is, when you're trailblazing, some legal uncertainty is par for the course. Attorneys are often asked to focus on protecting the company from any risk, but some risk is usually essential if you are innovating. It's important that legal counsel is a part of the transformation process so they can help the company take risks with as many protections as possible and without removing the core benefit of any innovation.

Risk Type 5: Perception of Failure Risk

Successful transformation comes from experiments, wrong turns, learning, and persistence. There's always a risk that those who don't have a knowledgeable mindset about this will judge the projects or their leaders as failures as soon as they see something fail. But some degree of failure is always part of the innovation process—it's one of the first steps towards success.

Nobody likes to be perceived as a failure, so this risk creates emotional barriers in committing to innovation. Furthermore, in the political world of the enterprise and the psychology-driven world of stock prices, perception can often be reality. This makes it critical that the right expectations be set in advance, including their timeframe and expectations for return.

Companies that are successful at transforming create cultures that reward innovation and don't punish the natural failure that comes as a result, especially when it's accompanied by useful learning.

There is a fair amount of uncertainty and risk associated with Digital Transformation. And it's true that the timeframe of the Return on Investment is often unclear. When you are pitching digital transformation, very often it is this fear of risk that is the core of the resistance.

It's your job to help the audience understand that in these changing times, failure to fund transformational initiatives leads to another kind of ROI: Risk of Irrelevance.

You have to inspire them with the opportunity to make decisions that will take the company to a whole other level, reminding them as Teddy Roosevelt once said:

"Far better is it to dare mighty things, to win glorious triumphs even though checkered with failure…than to rank with those poor spirits who neither enjoy nor suffer much, because they live in the gray twilight that knows not victory nor defeat."

Conclusion

That is how to put together a comprehensive pitch for digital transformation that inspires people while assuaging their concerns. As you try to get others on board and secure organizational buy-in, remember that you need to at once inspire people and put forward an immaculate business case. If others feel that they can emotionally buy in while still feeling assured that transformation is good for the bottom line, then you've succeeded. Good luck pitching!

WAIT!

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