



DIGITAL BUSINESS TRANSFORMATION, THE GAME CHANGER

HOW COMPANIES LIKE BURBERRY, STARBUCKS AND NOVARTIS
HARNESSED TECHNOLOGY FOR ORGANIZATIONAL CHANGE

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The explosion in the use of digital technologies is changing the dynamics of competition in many industries. But digital business transformation (DBT) is about more than an increased use of devices and software, or going paperless. It is also about the organizational changes needed for digital technologies to bring about material improvements in corporate performance, whether through increasing revenue, cutting costs or improving the sharing and use of knowledge within an organization.

Digital business transformation is change built on technology rather than on other potential drivers of transformation, such as political or economic factors. The technologies involved can vary over time, as well as by industry and geography. But currently the four technologies most commonly associated with DBT are those gathered in the acronym AMPS. The acronym stands for analytical tools and applications, mobile tools, platforms to build shareable digital capabilities, and social media. These are the technological tools firms are using to become more digitally efficient.

Both technological and organizational change is necessary, but neither is simple. Increasingly companies in traditional business sectors acknowledge that they need to do more about DBT, but many are unclear about how to go about it. Some companies may already be making sophisticated use of AMPS, but struggling with the accompanying organizational change. Others may be transforming the way they do business, but struggling with the technological aspects necessary to make DBT happen.

Here we will look at how Burberry, Starbucks and Novartis took separate but successful approaches to Digital Business Transformation.

Burberry: From tired brand to digital powerhouse

By 2006, Burberry's brand had lost much of its sparkle; its British heritage and luxury outerwear products, pricing and store design were inconsistent and outdated. To regain control, Burberry turned to digital. The company redesigned its website, revamped its stores and fully engaged in social media. It also rejuvenated the workforce, trained in-store staff to use digital tools such as iPads and radio frequency identification (RFID) tags, and launched various online campaigns. Employees were kept informed of new initiatives through webcasts, videos and chats.

A new internal platform, Burberry Chat, allowed employees, suppliers, partners and investors to link up and its use was encouraged and incentivized. Burberry started to spend more than 60% of its marketing budget on digital media such as Facebook and Twitter, triple the industry average. Its Twitter, Facebook and YouTube sites now attract millions of viewers.

Starbucks: using digital to transform customers' experience

Like Burberry, Starbucks was also experiencing difficulties in the mid-2000s. Sales were declining and it had to close many stores. On a digital level, the company was far behind its competitors. Store managers did not even have company email!

Starbucks CEO Howard Schultz wanted to transform customers' in-store and online experience. The company named a head of digital ventures, a new position, whose first move was to offer free Wi-Fi in Starbucks stores. In 2012 the company booked \$3 billion in payments via its loyalty card. Starbucks led the way in mobile payments, too, processing three million mobile payments a week. Close engagement with customers also allowed it to collect over 50,000 innovation ideas. Now more than 90% of all US Facebook users are either a Starbucks fan or friends with one.

Starbucks's DBT was led by customer insight and business change. Most of its solutions used existing technologies such as Wi-Fi, mobile payments and social media, but it successfully integrated these technologies to improve customer engagement and operational efficiency.

Novartis: Changing the sales model

Novartis, like other pharmaceutical companies, had a rigid selling model. Sales representatives made 8-10 visits per day, communicating company priorities and drug-related information, but collecting little information about patients. The company had no idea of which drug was being used or when.

Things began to change in 2010. First the company equipped its 25,000 sales representatives with iPads. Then it introduced a technological device called LaunchPad that completely changed the selling model. LaunchPad allowed sales representatives to pull up any information needed during a sales meeting – from interactive graphs to patient case studies – or call a specialist at headquarters. In parallel with the introduction of the iPads, Novartis extended use of a flexible cloud-based customer relationship management (CRM) system, with digital tools and content that let the sales force engage doctors in more meaningful discussions about Novartis products.

The digital transformation is changing the operating culture of Novartis's pharmaceuticals division. It has improved customer interaction and raised both the morale and the daily productivity of the sales force.

The kind of organizational change pursued by these companies challenged the status quo. It required strong leadership and vision to see the threat of disruption and to push through the inevitable resistance. Technological change is also challenging. AMPS technologies require new skills and technologies and, often, large capital expenditure. Companies have to develop new systems and competencies, some of which are at odds with and organization's prevailing culture and practices in IT and marketing.

New technologies such can lead transformation, but the management and sales cultures, as well as new organizational systems and processes have to follow.

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