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Success unlocked

E-COMMERCE VS DIGITAL TRANSFORMATION

ENKI, LLC

Article – Summary of Client Case Studies

INTRODUCTION

ENKI LLC has experienced different levels of understanding by our clients on key terms that often trigger a need for enterprise transformations. So, we thought a brief introduction and summary of these terms might help someone in the future.

We have reached Gartner's "Peak of Inflated Expectations" stage of the Hype-Cycle for Digital Transformation. This article explores these unrealistic expectations and asks if you will have to endure the "Trough of Disillusionment" that we all experienced with e-commerce?

In some ways, the current possibilities created by SaaS, Cloud, Big Data, IoT, AI, and the overarching disruption caused by Digital Transformation mirror the challenges of e-commerce in the late 1990's. We at ENKI find many parallels in both the e-commerce and Digital storylines and introduce below some lessons to keep in mind.

First, let's look at the past as a reminder of the e-commerce business transformation challenges companies encountered in pursuit of the promised benefits of this new channel.

The Past

E-COMMERCE

E-commerce entered our vocabulary in the mid-1990's. The idea was to buy products and services "electronically" eliminating the need to conduct the transaction in a store or office location. Intended to support this new business channel, the underlying technology was based on the Internet and called the World Wide Web (web). The web came as a result of the advent of hypertext markup language (HTML). This is the development of pages that allows for the easy navigation of the Internet. These pages could hold practically any content, and hence, could support pictures, text, audio, movies, etc. Software companies around the world seized the opportunity and limitations by filling the void on technical capabilities, including the build out of purchasing engines, page-serving and management engines, and even payment platforms to support web purchases. New software to support traditional businesses was not the exciting business development from the web; it was the new breed of companies that emerged. Within this new commerce, Amazon, eBay, PayPal, FreeMarkets.com, Ariba, Priceline, and many other companies, used the web as a new business channel to disrupt traditional businesses around the globe.

The best description we have found for e-commerce is accessible at TechTarget and reads as follows:

"E-commerce (electronic commerce or EC) is the buying and selling of goods and services, or the transmitting of funds or data, over an electronic network, primarily the Internet. These business transactions occur either as business-to-business, business-to-consumer, consumer-to-consumer, or consumer-to-business..."

Today, business-to-government (and vice versa), government to consumer (and vice versa), and government-to-government transactions are considered e-commerce as well.

Disrupting Traditional Companies

The introduction of e-commerce, sometimes referred to as eBusiness or e-tail in traditional companies, drove an internally focused business transformation.

Disruptive technologies like web publishing and one-to-one marketing software solutions forced many changes within organizations. The transformation of business processes, organizational redesign, new metrics, and new roles to support e-commerce resulted in massive disruptions, forcing many companies to close. This continued throughout many industries as innovative companies began selling products and services formerly available at brick-and-mortar locations.

The complexity of creating a web-based business capability was underestimated because it was thought to be simply another marketing channel. Consumers freedom of choice increased, shifting the power of the availability of products and their prices, from retailer to the consumer. Retailers' pricing power reduced as consumers eventually gained direct visibility with manufacturers. All stakeholders later demanded visibility into logistics processes and, then the entire supply chain for greater insight and control. Today, consumers can customize products and have direct input into manufacturing while employees can monitor in-process transactions across the entire value chain. This end-to-end visibility has fundamentally changed business processes and resulted in organizational redesign to support the needed changes and resulting customer services.

Traditional companies struggled with the new offerings from the web and how they could leverage this new technology. Many different companies made attempts to figure out their place in the web and how they could evolve to an e-business. Companies in every industry spun off their Internet business and later reacquired them as it was less distracting than trying to build the capability internally. Successful companies eventually modified their entire enterprise' cross-functional interactions, metrics, processes, reporting relationships, and roles to improve business outcomes.

In 1999, one of our consultants created the concept and methodology of Business Architecture to help address the business organizational challenges with these disruptive

technologies. Business Architecture evolved from the need to design and deploy a new business structure to enable end-to-end business processes for orders to support what the web delivered. This new structure clarified what was needed and why. It helped define and build the functionality needed to support e-commerce while enabling the company to deploy the necessary improvements. This new approach also balanced the design/approach required to embrace traditional business capabilities and existing customer transactions through existing channels. Areas that needed to be explored and improved, included (but were not limited to) business goals and objectives, people, skills, organizational structures, information, compensation plans, processes, procedures, policies, and technology.

What have we learned

Lessons over the last 24 years in Business Architecture and, specifically with e-commerce/eBusiness, are applicable when implementing today's transformative technologies, such as SaaS, cloud, big data, IoT, AI, and other digital technologies, not to mention, when there is a large acquisition, divestiture, or other shift in strategic direction.

Next, we explore the lessons of the past and the capabilities and challenges of implementing today's transformative technologies.

New technology is just a small fraction of what is needed when moving into a digital business. As companies are constrained by corporate culture, organizational design, processes, roles and responsibilities and skills, ENKI believes that leveraging Business Architecture to address these business challenges once again is a critical success factor.

The Future

DIGITAL TRANSFORMATION

Many of the executives we know have challenges around transforming their business to embrace what SaaS, Cloud, IoT, AI, big data, or other digital technologies could mean to their company. Outsourcing commodity services like SaaS and Cloud could help reduce risk and save costs; whereas big data coupled with AI and machine learning target the identification of potential risk while enhancing revenue generation efforts. We know that IoT, Big Data, and AI could identify new revenue sources from current products or

services. We are discovering these technologies can also identify what products the customers "appear" to be shopping for, but aren't offered by anyone yet.

All of these areas of risk reduction and revenue growth can be a catalyst for software and service investment. However, becoming a digital business will have the most radical impact to businesses because it helps identify and mitigate risk; provides insight into revenue growth opportunities; highlight process gaps to help reduce costs; identify regulatory considerations; and even help manage customer touch points to ensure a consistent experience. Any of these alone would cause some organizational change if there were a desire to improve the capabilities. Now imagine the impact when it happens instantaneously! This is needed for a company to embrace digital technology and build out a digital capability similar to that of e-commerce.

If you search for digitization, you will find many technical explanations about converting analog information, like paper notes and pictures into zeros and ones (digital representations) of those very items. That is not digital in business terms today. Building a mobile application front-end to your website or a mobile application for a transaction system might have worked five years ago, but it is not "going digital" as we define it today either. Trying to automate a manual process is merely converting a legacy capability into something supported by technology. These minor technology improvements can have some benefit, but the hyped benefits of going digital today come only from a company's willingness to look at all they do and question how to do it in a way that embraces technology and people seamlessly together.

Embracing digital requires transforming from an analog, i.e., manual process with some automation to a digitally-driven, event response super system that may not even involve employees in areas that are currently perceived to be employee dependent. Consider the following: today, the interaction between people and known products, services, locations, and entities does not apply in a digital business. In a digital world, customers interact with one or more virtual companies (for which you may be one) and are "served" solutions that are generated in real-time from one or more of these companies. These companies may or may not have existed before, but are real at that moment for the need of that customer. It will occur in a virtual environment designed to capture that customer transaction need while the consumer may only know of the first company they initially contacted.

Since this may sound like an Internet business or something you might be able to create using the concept of a mobile application, perhaps a comparative example would help.

> **Today**, a person looking at homes on Zillow.com might get an advertisement for a mortgage product from RocketMortgage.com, homeowners' insurance from

Allstate, a real estate person ad may pop up along with a lawn maintenance advertisement. These are predefined goods and services with existing rules and parameters approved by the sales, marketing and executive teams based on risk profiles of customers and capabilities of existing internal business processes within specific companies. The advertisement is pushed to you, the potential customer, based on predefined metrics for the duration of time a customer looked at the product or service on the Internet.

Tomorrow, a person looking at homes on Zillow might be "observed" by one company that will electronically create a new "offering" of products and services as it checks that person's income, expenses, credit history, credit score, current address, current employer, current mortgage and insurance. This company will then combine different products and services from one or more companies to create a "new" branded offering for the customer. This offer will be very compelling and affordable and could be a simple monthly rate that covers a new mortgage + insurance + lawn service + Internet service + cable + mobile phone + electric + gas + water + sewer + tax and could even include retirement management services, to name a few.

How can that be possible? Can a company's current organizational structure allow for such a thing? Consider for a moment who might be the head of product innovation for products created by other companies, assembled in real-time and are not approved by an executive committee? How does the risk or legal group calculate the risk of combining products from other firms? How does the company estimate the risk of all customers to the enterprise based on the suite of goods and services that may or may not be supported by other businesses in other countries? How is the sales team measured and who gets the commission?

The digital movement is the revolutionary baby of the Internet. It radically morphs the Internet into the integrated and streamlined business-to-business-to-customer-to-government-to-business (and vice versa) Uber Value Chain (UVC). How does your business evolve to prepare for this revolution? Answering this question is where ENKI and our experience walking in your shoes can help.

ENKI helps companies transform where business meets technology.

ENKI is Success Unlocked.