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# Don't Reengineer. Reimagine.

To realize the digital potential of your business, bring the dynamics of a startup to scale.

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## Don't Reengineer. Reimagine.

To realize the digital potential of your business, bring the dynamics of a startup to scale.

by **Jeff Schumacher, Simon MacGibbon, and Sean Collins**

**W**hat does it mean to become digital? Companies in all industries are building online businesses, enabling new customer experiences, experimenting with “big data,” and seeking advantage in a digitally enabled business environment. They have tried reengineering their practices; they have set up new technological platforms for customer engagement and back-office efficiency. But these efforts have not yet had the impact that they should. Instead of reengineering, they need reimagining. They need to conceive of their business freshly, in line with the capabilities that digital and business technologies can give them, connecting to customers in ways that have not

been possible before.

Reimagining your business means creating many of the conditions of a startup—the sense of freedom, flexibility, and creativity—but at the scale and with the discipline of a large enterprise. You bring together cross-functional teams who can ideate, bring to life, and execute a truly digital user experience. You take a customer-centric approach to everything your company does—including innovation, user experience (UX) design, marketing, promotions, sales, operations, and customer service. You convey a distinctive brand identity and emotional connection that’s present in storefronts, websites, smartphones, connected devices such as high-tech fitness wristbands—and forms of interaction still being conceived. You use big data and analytics in all their

forms to deploy insights from customers in real time, designing and marketing products and services that respond instantly after sensing and analyzing what people do online (and off). Reimagining your business also means continually measuring and testing the impact of these products and services, and learning from the results.

In the digital world, time really is money. Companies no longer have the luxury of carefully developing requirements for new products and services or for bureaucratic stage-gate approval processes. Nor can your digital presence be bolted onto your company’s current way of operating. Instead, it must be a natural reinforcement of your company’s brand, its positioning in the market, its core value proposition, and the capabilities you already have. The digital presence must also be a viable contributor to the business, with significant revenues and profits accruing almost from Day One.

Admittedly, the first steps in this transition aren’t easy. Becoming digital requires a new way of thinking. Moreover, the exact set of capabilities needed to get there will vary from company to company. Nike Inc.’s direct engagement of consumers, linked closely to the development of new apparel and fitness-related devices, involves a completely different approach from Aetna Inc.’s rethinking of its patient and customer experiences. But there are five basic principles of digitization that any company can follow to help reimagine its business and drive growth: Empathize with end-users, expand the brand and the value proposition, design for three years out (but build for today), build new structures and teams, and use digital technology to energize your culture.

**Empathize with End-Users**

To unlock the value enabled by digital technology, companies need to focus first on delivering great experiences to customers. Don't just build connections between customers and your company. Enable them

ance company backed by the Allstate Corporation, has taken the idea of customer empathy to heart. It uses digital technology to enhance the car insurance experience from quote to claim, reducing the customer's stress while saving time and money.

Once the car is in the shop, the app sends customers daily photos of the repair process.

Thanks to its end-to-end focus on the customer experience through digital technology, Esurance is enjoying rapid growth, large gains in customer satisfaction, and improved financial results. It is also providing a learning lab for Allstate, which will apply the insights from Esurance's experiments as it develops strategy for its core business.

## No one likes to buy insurance. The design of Esurance's business and the technology that enables it are aimed at mitigating its pain points.

to engage with one another. In the process, habitually capture insights about what customers think of your products and services, what matters to them, and what consistently irritates and enralls them. Then feed these insights back into your innovation practices as well as customer service, marketing, advertising, and promotions.

To see and understand your customers' problems, you must be able to fully empathize with the end-users of your company's systems. Develop an ongoing sense of what your company's products, services, and brand look like from their point of view. The word *empathy* derives from the Greek words for *in* and *feeling*. Digital technologies give companies a way to empathize, or to adopt others' feelings as their own. They can provide a much closer connection between you and your customers than the marketing methods of the past did. When consumers have problems that need to be solved, or aspirations that your company might satisfy, you are now equipped to meet that challenge proactively.

Esurance Inc., an online insur-

No one likes to buy insurance. It's expensive and often seems unnecessary, and the process of obtaining it can be thoroughly confusing. Worse still, the moment of truth when it becomes valuable—when customers actually have to make a claim—may be fraught with pain, uncertainty, and the frustration of not knowing how long the repair process will take. The design of Esurance's business and the technology that enables it are aimed at mitigating these pain points.

Esurance accomplishes this by increasing transparency and removing confusion and ambiguity. The experience begins with getting a quote online in minutes; the company displays its best offer as well as quotes from leading competitors. Esurance also makes its claims process user-friendly, with mobile apps that simplify the process and keep customers updated in real time. If an insurance holder is in a car accident, he or she can file a claim from the scene with a smartphone, capturing the necessary details and uploading photographs of the collision. The app also provides recommendations for vehicle repair shops.

**Expand the Brand**

The second basic principle of digitization involves expansion of the brand. Companies that are expert at branding don't simply incorporate a logo and visual identity into their physical products. They consciously run their business with their brand in mind. They know that every detail, from the design of their headquarters to their products' placement on a store shelf, helps define the way customers see them. That's equally true of digital capabilities. The brand must guide not just the message, but also the ambiance, features, and emotional impact of your online and mobile touch points.

So put the meaning and value of your brand at the center of your digital design. In doing this, look across your entire value chain—from R&D to product design to manufacturing to marketing and sales—for digitally augmented opportunities to relate the brand and its value proposition to every level of operations. Don't think narrowly about traditional ways to market and sell products. You no longer merely advertise. You immerse people in the experiences you create.

Consider Nike, long considered among the world's greatest brands. Several years ago, the sportswear

company created a special unit, Digital Sport, using the company's brand and innovation talent to re-imagine what it could do for its customers. Out of this came a strong investment in Nike-branded media, including sports-oriented videos, websites, and "zines." Another key component was the Nike+ group of products and services—a digital

of the next few years. What technologies might be available then? How will customers be using digital in their lives? Where will your industry be, for example, in terms of responsive use of data, digital fabrication (parts and devices made on the fly), cloud-based interoperability, or new forms of supply chain coordination? Do you have the capabilities now to

Contributors are motivated, in some cases, by the chance to promote their own work, accompanied by comments like, "We are staying safe with [3M's] goggles, gloves, masks, and using lots of sandpaper."

Based on these kinds of experiences with its early adopters, 3M is building out its e-commerce capabilities for the future. The sales and marketing departments are creating additional content. Customer service is using analytics and data to identify customer problems and solve them rapidly—for example, telling people how to recycle their Post-It notes (put them out with the office paper pickup; the recycling process removes the glue). And in general, the company is boosting innovation by ramping up collaboration—including collaboration with outsiders.

## Millions of consumers have signed up with Nike+, giving the company a huge new source of data to mine, reinforcing its core businesses.

ecosystem of apps, sensors, and related devices that track athletic performance. The Fuelband, for example, is a wristband that gathers data from motion detection, enabling people to maintain records of their "NikeFuel points," tracking the benefits they gain from workouts, sports, and other physical activity. Millions of consumers have signed up with Nike+, giving the company a huge new source of data to mine, reinforcing its core footwear and apparel businesses, and creating a substantial new revenue stream through a variety of new digital products.

### Design for Three Years Out

The third principle of digitization involves taking the long view, even as you build for today. You can no longer succeed with a digital strategy based only on today's technology and competitive environment. Nor is it enough to merely ideate about future developments. Companies must take actions now that prepare them for the disruptive opportunities and evolving platforms

make use of those technologies in creating new customer experiences? And what new capabilities will you need once those technologies become reality?

3M Company is already answering these questions. The company—which makes a wide range of innovative products and materials, including tapes and adhesives, electronic devices, medical supplies, films and fabrics, cleaning and car-care products, and industrial components—is developing a road map of its future by building the world-class capabilities it will need over the next several years. The effort began with a focus on combining content, search optimization, and social media to capture data on consumers' feelings about 3M products. The company then developed the analytics needed to make use of that data. 3M maintains a Facebook "do-it-yourself" page, for instance, where woodworking aficionados post photos of the cribs they build for their grandchildren or the hand-made tables they sell on the Web.

### New Structures and Teams

The fourth principle recognizes that becoming digital isn't just a matter of rearranging the lines and boxes on your org chart. It involves fostering a startup's way of working through new structures and teams, and changing your incentives, rules, and decision rights accordingly. Just as important as these formal mechanisms are their informal counterparts—the personal networks, communities of interest, information flows, and behavioral norms—that link the people in your company who can imagine and build new digital capabilities.

In a truly digital enterprise, you will often find that new cross-functional, multidisciplinary teams need to be formed and assigned solely to conceive and build successful digital customer experiences. These teams bring together specialists in strategy, R&D, UX design, industrial design,

marketing and branding, sales, and IT to work collaboratively. The diversity of talent and perspective is vital when it's time for the team to move its digital DNA back to the main body of the company, changing the culture from the inside out.

Health insurer Aetna recently created a new business unit called Healthagen. It has operations based in San Francisco, far from the company's headquarters in Hartford, Conn. Essentially a startup, this new group was charged with a mission: to tackle the fundamental issues of value and transparency in healthcare. The unit isn't simply trying to address customers' pain points. Instead, its goal is to empower consumers, improve the quality of care, and reduce overall costs. Aetna has identified digital capabilities and user experience as game changers. It is investing more than U\$1 billion to acquire and build a comprehensive collection of health management and health IT solutions. Under one roof, Healthagen has assembled a multidisciplinary team of strategists, consumer insight specialists, digital product managers, user experience and user interface designers, and IT architects. It is adopting distinctive innovation methodologies that rapidly bring new ideas to life and test them with users and stakeholders.

This new group is prototyping an application for parents of newborn infants that can help families bring their babies home as soon as possible. All too often, new parents don't feel ready and armed with the right support to take their infant home. This app lets them leave the hospital sooner, because it provides educational content, support, and live video chat with nurses when needed.

### Energize the Culture

Tackling the culture is the final digitization principle. The toughest part of becoming digital is creating the cultural norms and ways of doing things that enable sustainable change, especially at very large companies. These changes are likely to be extreme. Thinking and behaving with an orientation toward customers represents a major leap from the product- and channel-centric approach on which most corporate cultures have been built.

The sporting-goods retailer Sports Authority took on this task in

and offers when customers walk into retail stores) and Foursquare (a location-based social networking app that helps people engage with nearby retailers). The company also deployed additional omni-channel capabilities in many stores, including ship-from-store systems (which turn stores into local distribution centers for pickup and delivery).

One key to changing Sports Authority's culture was allowing customers to buy on any channel they preferred—whether digital or in-store—and then compensating store managers for all e-commerce

## One key to changing the culture at Sports Authority was compensating store managers for all e-commerce sales in the zip codes of their area.

2010 by redesigning the branded experience from the consumer's point of view and building the necessary digital "omni-channel" capabilities. The new behavior that went along with these capabilities then sparked a culture change. Rather than simply letting its e-commerce efforts stand alone, the company focused on maximizing the entire business through digital capabilities—reimagining its advertising, shopping, and delivery experiences. It was critical to use digital capabilities to drive store traffic, not just online revenues. Sports Authority teamed up with Google to create virtual online inventories for customers of the merchandise in each store; it optimized store websites to gain better search response; and it experimented with digital partners such as Shopkick (a mobile app that provides rewards

sales in the zip codes of their trade area. At the same time, the retail chain raised its revenue targets, and required units to report on the direct and indirect sales impact of every channel in weekly business reviews.

The new approach proved that a vibrant digital presence could revitalize all aspects of a company's business, including its non-digital channels. It produced a shared sense of purpose among store-based and online staff, a willingness to experiment in order to boost sales across all channels, and a "fail fast" culture that is eager to learn from risks and experiments.

The ultimate goal of reimagining your business is to transform it into a more customer-centric enterprise. This is an exhilarating process for most companies, once it begins in earnest. It brings together busi-

ness and functional leaders, employees and customers, global and local managers, and the seemingly disparate practices of analytics and creative ideation. Companies that move from reengineering to reimagining will be in a far better position to benefit from the new world of digitization. +

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Booz Digital is a full-service team of strategists, designers, and technologists focused on the relationship among ideas, digital platforms, and transformational businesses.

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