

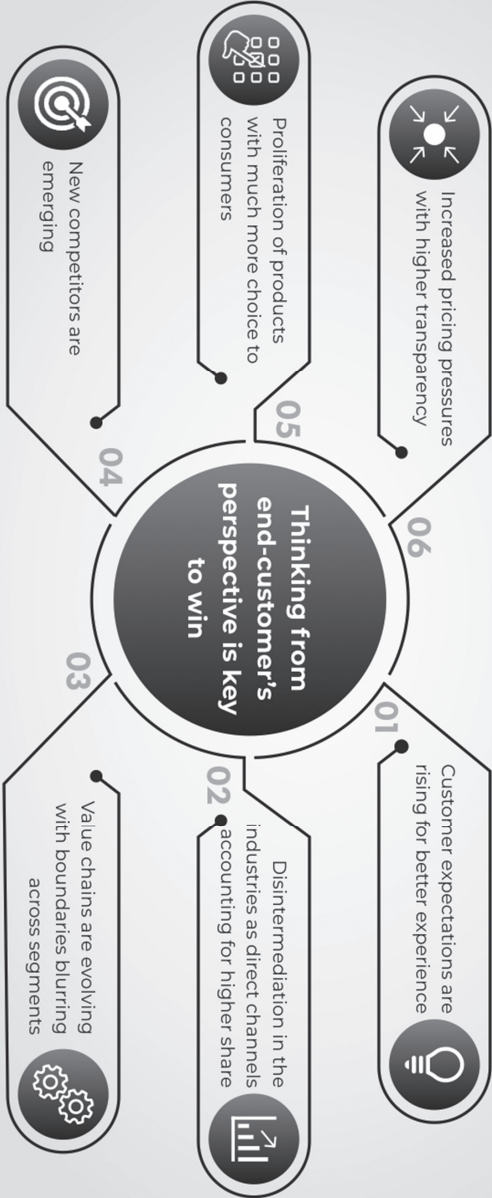
Introduction: Digital transformation across industries

In the previous section, we saw that VUCA (Volatile, Uncertain, Complex and Ambiguous) is defining new rules of business and that successful digital transformation is the key to winning. Digital transformation presents enterprises with significant opportunities for value creation to benefit from the radical shifts that are being observed across industries. While there are nuances in these shifts across industries, I see some common characteristics in them, having been able to observe these shifts across industries first-hand, as Incedo serves many Fortune 500 clients across multiple verticals. Based on my experience with them, I see at least **six common shifts** resulting from digital disruption across industries.

1. *Customer expectations are rising for a better experience, necessitating a radical relook at the existing offerings and processes that serve them:* FAANGs have completely changed consumers' experience, whose expectations from other industries have also changed as a result. In a McKinsey survey, 80 percent of customers said that they want a Netflix-style experience everywhere.¹

2. ***Disintermediation in industries as direct channels to end-customers (D2C) are gaining higher share:*** We have already seen the biggest shift in the media and entertainment, and retail sectors with Netflix and Amazon, respectively. Many other sectors are also experiencing such disintermediation; for instance, the payments, travel and hospitality sectors. The Direct-to-Consumer Purchase Intent Index has forecast that more than 80 per cent of end-consumers are expected to make at least one purchase through a D2C brand within the next five years.²
3. ***Value chains across industries are also changing as boundaries are blurring:*** Digital giants like Google and Tencent today have multiple businesses spanning several verticals. They have been able to enter many new areas because of their customer access and/or data and technology capabilities. This is forcing traditional enterprises to defend their businesses very well and also to invest in new ventures to retain their customers and grow their wallet share.
4. ***New competitors are emerging*** – 50 per cent of S&P 500 companies will be replaced in the next decade, says Innosight research.³ New-age companies are solving customer problems that have not been addressed by traditional enterprises all these years. Additionally, they are leveraging emerging technologies like cloud, AI and automation to deliver a seamless customer experience that helps them win over traditional enterprises.
5. ***Consumers have wider choice as there is a proliferation of products, leading to relatively shorter cycles.*** Businesses today move through their life cycles twice as quickly as they did thirty years ago. Enterprises that deploy data science and build infrastructure to seamlessly integrate their business functions are able to realize the maximum lifetime value (LTV) from customers.
6. ***Pricing pressures are mounting on businesses as both customers and regulators are asking for more transparency.*** This is further accentuated by the increased proliferation of products and shorter business cycles in the digital age. A McKinsey report

There are some common themes across industries in digital transformation



says the bottom quartile of players who do not respond to digital natives in their industries face ~3x higher reduction in revenues than the top quartile.⁴

As a result of these shifts, **every business is now becoming a direct-to-consumer business**. Thinking from the end-customer perspective is, therefore, the key to success. I see this shift happening in the most traditional of industries. ‘**Customer-centricity**’ is perhaps the most important implication of the digital age across industries.

While there are common characteristics in what digital means to different industries, there are many specific nuances. Different industries are at varying levels of maturity in terms of digital adoption and their speed of digital transformation. However, for sure, this maturity curve of digital transformation has accelerated in every industry because of the Covid-19 pandemic.

In this section, I share some observations and insights as to what digital transformation means – the key challenges, priorities, etc., – for some select verticals, based on Incedo’s work in these areas:

Chapter 1 -Banking

- Banks have been attacked by digital natives. However, they still command high market share, driven by customer stickiness.
- Most of the banks’ efforts have been centered on digitizing the front-end and developing a better system of engagement.
- Whereas the core issues of their legacy system of records and business processes – which are stuck in a ‘control’ mindset – still persist.

Chapter 2 - Wealth Management Industry

- Digital transformation has been a topic of management discussion ever since robo-advisors attacked the market. However, little has changed on the ground.

- The Covid-19 pandemic was a real stress-test of the industry for its work-from-home readiness. Despite initial concerns, the industry has, on the whole, successfully passed the test. Still, a lot of work needs to be done on cybersecurity and adherence to the wave of regulations that has happened globally.
- We will see an acceleration of digital transformation in the industry, with themes like advisor personalization, intelligent automation of the mid-back office, and harnessing the full potential of data with cloud.

Chapter 3 - Payments

- Payments has been at the forefront of digital transformation, and already FAANGs (Facebook, Amazon, Apple, Netflix and Alphabet) and the Chinese Big Three (Alibaba, Baidu and Tencent) have attacked this space.
- One can expect some big moves in this space as it will see disruption happening at a rapid pace.
- The enterprise payments space will see a change similar to what has already been observed in the consumer-to-consumer segment.

Chapter 4 - Telecom

- Telcos have been investing a lot in digital infrastructure as the industry progressed from 2G to 5G. However, they have not realized the desired value from these investments.
- Instead, OTTs have won the game of content, leveraging the infrastructure that telcos had primarily invested in.
- Now, 5G presents telcos a breakthrough opportunity. But to realize gains from it, they will need to reshape their offerings, their business model and internal processes.

Chapter 5 -Enterprise Product Business

- This industry is one of my favourites and stands to gain the most from digital and leapfrog ahead, leveraging cloud-led 'saasification'.
- To play offence and emerge as a winner, it is critical that product businesses first play defence well.
- There are six themes that leaders of product businesses must emphasize and re-evaluate to bring about change. These include protecting revenues from existing clients, opportunities to grow in white spaces between existing products, stepping up leveraging of global delivery model and innovative partnerships for go-to-market.

Chapter 6 – Life sciences

- Life sciences has been one of the laggards but is now at a tipping point for digital transformation.
- To win, players must consider a fundamental shift in the business model by putting the patient at the centre. Historically, it is the clinician that has been the customer in this industry.
- Four imperatives to drive successful execution in this industry are: cloud, automation, a partnering ecosystem and driving open innovation.

It is fascinating for me to observe closely the fundamental shifts that are happening across industries because of digital disruption and also to compare and contrast the specific nuances that I see. These industry shifts are creating amazing growth opportunities for incumbents and digital natives alike. I hope the insights in this section help spark some positive ideas and actions!

Industries are at varied stages on their Digital maturity - presenting different challenges to the players

