



Are you a
**Digital
Champion?**
Take our
survey!

Monetizing Digitalization
Boosting revenue and profits in a digital world

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CONNECTION
ANALYSIS
DATA
SEARCHING
VERIFICATION
CODING
SENDING

A composite image featuring a person in the foreground wearing a VR headset. The background is a night-time cityscape with illuminated buildings and a network of white lines connecting various points across the scene. The overall color palette is dominated by blues, purples, and oranges from the city lights and the VR interface.

Digitalization – The big transformer

Digital technologies enable a tremendous change in the way we do business

Digitalization in numbers



3.1

hours per day: Average time adult users spent on their mobile phone in 2016. ¹



100

million consumers will shop in augmented reality by 2020. ²



\$ 1,000,000,000,000

worth of savings for consumers and businesses in maintenance, services, and consumables by 2022 thanks to the IoT. ³



163,000,000,000,000,000,000,000,000

bytes: Amount of data generated worldwide by 2025.

This equals ten times the amount of data in 2016 (16 zettabytes). ⁴



75

percent of the world population will be connected by 2025.

The average connected human will be interacting almost 4,800 times a day with every kind of connected device. ⁵

¹ Source: Kleiner Perkins; "INTERNET TRENDS 2017 – CODE CONFERENCE", May 2017









^{2,3} Source: Gartner; "Top Strategic Predictions for 2017 and Beyond: Surviving the Storm Winds of Digital Disruption", October 2016

^{4,5} Source: Seagate and IDC; "Data Age 2025: The Evolution of Data to Life-Critical", April 2017

Digitalization transforms companies on all levels – in different ways

Digitalization impacts companies on many levels. It disrupts sales and marketing channels with online shops, social media, and apps, and it enables the creation of new digital products and services: Physical products may be transformed into digital products (such as books and CDs), they may be digitally enhanced (such as “smart” home equipment or wearables), or there may be a digital service layer on top of a physical product (such as ordering food in a restaurant via app). All this drives the development of new revenue and monetization models, which range from subscription models for cars that allow users to switch vehicles on a daily basis, to pay-per-use models for industrial companies that don’t need to pay huge sums upfront for their heavy equipment.

And to make matters more complicated, digitalization actually means something different to each industry.

Industry (selection)	Moving from:	to:
 Retail	Big box retail	Omni-channel, personalization
 Automotive	SUVs	Ride sharing, self-driving cars, connectivity
 Industrial	Equipment	IoT, connected devices, predictive maintenance
 Education	Schools and text books	Online education, adaptive learning
 Technology	Hardware and software	SaaS, cloud solutions, AI
 Banking	Branches	FinTech, mobile banking, block-chain, personalized banking
 Healthcare	Drugs	Personalized medicine, connected care, “digital pills”
 Consumer Goods	Big brands	Personal relationships with consumers

Digitalization is ...



Digitalization is a C-level topic

The big challenge is to identify the sustainable revenue-generating opportunities emerging from all the digital technologies. As the once theoretical now becomes possible, business leaders must apply all their expertise and entrepreneurial vision to wisely invest their money in the right initiatives for their specific situation. There is no one-size-fits-all solution for dealing with digitalization. The topic is far too vast and complex for that.

“Digitalization starts in the board room.”

Dr. Georg Tacke, Bonn
CEO



Digitalization is not an IT topic

One of the biggest myths around digitalization is that it is purely an IT topic. But simply hiring a Chief Digital Officer, installing an isolated digital unit, or treating it as “just another IT project” won’t do the trick. Of course, IT needs to have a seat at the table – but they shouldn’t be driving digitalization initiatives. Neither is digitalization an isolated task for a single company department. It requires a comprehensive approach across all divisions.

“The IT department plays a crucial role in all digitalization initiatives, but they are not in the driver’s seat.”

Wolfgang Johann Mitschke, Frankfurt
Chief Technology Officer



Digitalization is a revenue topic

As our clients invest more and more money in digitalization, they start asking for a return on their investment. In their hurry to become digital, many companies seem to forget that they still have to earn money with their new, fancy digital offering or their new way of doing business. Adding a digital component to the offer sometimes has a huge impact on other parts of the business: Although it is great that the Internet of Things enables manufacturing companies to reduce accidents and downtime, it also reduces the revenue these companies generate in the high-profit aftersales business – revenues the company needs to compensate.

“Digitalization doesn’t rewrite the basic rules of business. It is still about providing value to the customer, and monetizing it.”

Annette Ehrhardt, London
Global Head of Communications & Marketing and Digitalization Expert




Digitalization is the key to the customer

While the paradigm shift from a product-centric economy to real customer-centricity has started years ago, it is now becoming much more of a reality than ever before. Thanks to digital technologies, we can now interact and communicate with customers in completely new dimensions. This allows us to focus much more on building sustainable customer relationships and to build products and services around individual customer preferences. No wonder that many companies spend considerable time and effort in getting to know their customers better. Data about customers' preferences, habits and shopping patterns has never been more valuable than today.

“In the age of digitalization, the customer is more at the center than ever before.”

Onno Oldeman, Amsterdam
Managing Partner Netherlands, Board Member and Digitalization Expert



A man with dark hair, a beard, and glasses is looking towards the camera while holding a tablet. He is wearing a blue button-down shirt. The background is a blurred office setting with another person working. A semi-transparent cityscape with tall buildings and a river is overlaid on the right side of the image. The text "Pitfalls of digitalization – and how to become a digital hero" is written in white in the upper right quadrant.

Pitfalls of digitalization –
and how to become a digital hero

Doing digitalization the right way

Investing money in the right digital initiatives is one of the top challenges for company leaders today. Our experience shows that companies don't spend enough time and effort on thinking about how to monetize new products and services. They often blindly follow the others or automate processes without improving them.

As our **Global Pricing & Sales Study 2017*** confirms, 81 percent of companies are spending money on digitalization. 75 percent actually want to increase their top line with these initiatives – but not even one quarter manage to achieve higher revenues or profits.



81%

of companies surveyed have made investments in digitalization.



75%

of those efforts were focused on increasing the top line.



23%

of companies have seen an impact on their top line.



18%

of companies are digital heroes that have understood how to monetize their digital investments. On average, their EBITDA is 37 percent higher than that of other companies.

* The Simon-Kucher [Global Pricing & Sales Study 2017](#) (GPSS) surveyed 1,925 companies across major industries in over 40 countries. It provides a comprehensive picture of their pricing and digitalization strategies, as well as their overall business environments.

Talking straight –

A short interview with the CEO on how to avoid the digital fail

77 percent of companies fail to impact their top line with their digital initiatives. That's an alarmingly high number. How come?

Several reasons. Many companies don't have a clear digitalization strategy, let alone a precise roadmap. They make knee-jerk reactions to new technological trends and often change direction later. Others either tackle digitalization from the inside-out, see it as a purely IT topic, forget the market perspective, or limit the reach and power of their digital units by not fully integrating them into their operative business.



*Dr. Georg Tacke, CEO,
on the right approach to digitalization*

What are the consequences?

They invest in the wrong initiatives. Our Global Pricing & Sales Study 2017 shows that half of the companies invest in digitalization to improve processes or cut costs. While this approach is completely understandable, it doesn't help them acquire more customers or earn more with existing ones. Process improvements often take years before they lead to noticeable results, and drive up costs before the reductions become tangible. Laying the foundation is an important step, yes. But all the action is happening on the commercial side: customer experience, new products and services, and smart monetization models.

How can companies avoid the big digital fail?

They should focus on the measures that have the strongest effect on their top line. The first is monetizing digital products, the second is using big data to sharpen marketing activities, to optimize prices, and to improve the sales approach. But as our study shows, only around ten percent of firms invest in these initiatives. Besides, many companies seem to forget that even in a digital world, putting pressure on prices only destroys margins. They need to steer clear or evade these unnecessary price wars and always keep in mind that when it comes to digitalization, monetization is as important as ever. ◀

Digital heroes and their characteristics

Only 18 percent of companies are winning at digitalization. These digital heroes achieve an EBITDA that is 37 percent higher than that of the other companies. How do they do it?

- **Strategy:** They focus on revenue improvements, not cost cutting, and have a clear digitalization strategy with a precise implementation roadmap.
- **Marketing:** They make better use of data to develop and update their segmentation.
- **Sales:** They are more accurate and faster at sizing their sales force according to the changing requirements of a more digital marketplace, where smaller clients are increasingly served with digital/online self-service sales tools and big customers benefit from a more holistic relationship.
- **Pricing:** They invest more in pricing resources and use big data to make price decisions.

“Digital heroes excel in many disciplines because they have understood that digitalization impacts the entire organization.”

David Vidal, Paris
Partner and author of the
Global Pricing & Sales Study 2017



Five steps to become a digital hero

1

Focus digital transformation on delivering topline growth, not only on reducing costs, and develop a clear digitalization strategy and roadmap.

2

Invest in the data-driven price optimization and monetization of digital offers, as this has the highest topline impact.

3

Invest in professional pricing resources, using big data to make smart price decisions and execute value-adding pricing strategies. Don't start price wars.

4

Improve your customer segmentation and sales processes along your digital journey. This avoids automating ineffective processes. Use digitalization to free up your salesforce and help them engage with the right customers.

5

Make digitalization a C-level responsibility, and don't leave it only to your IT team. You can't automate (or digitalize) your way into a strategy. Work with all areas, from marketing and sales to pricing and operations.

Making digitalization happen

“In theory, theory and practice are the same.
In practice, they are not.”

Albert Einstein



Digitalization: A step-by-step process

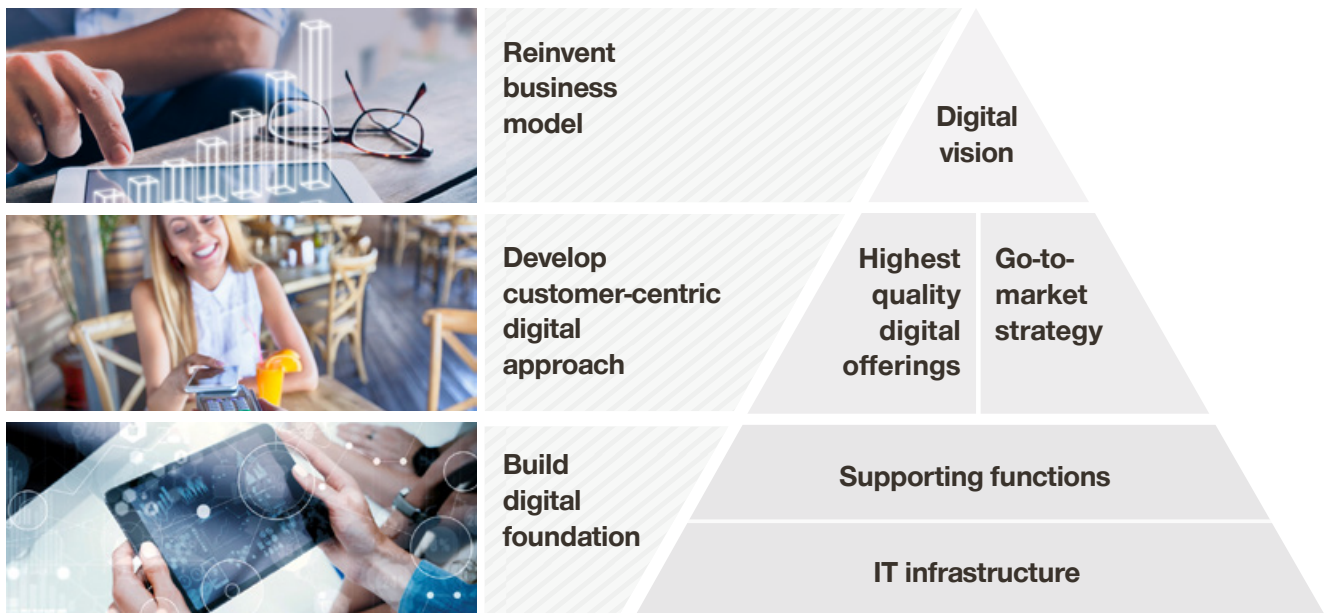
Digital transformation is a mammoth task. It isn't simply about automating processes or digitizing existing services or products. It means changing the organization on many levels and it affects every unit of a company. Completely transforming a company means all pieces of the puzzle – all units and departments – have to come together in a meaningful way.

We know that every organizational transformation is difficult – the digital one is no exception. To ensure things get done, it's paramount to break the task down into palatable portions, and to do things step by step. We advise our clients on how to adapt or reinvent their business models, and how to improve the customer journey from acquiring and monetizing to developing customers in a digital environment – with the right priorities and at the right pace.



Simon-Kucher's digitalization framework

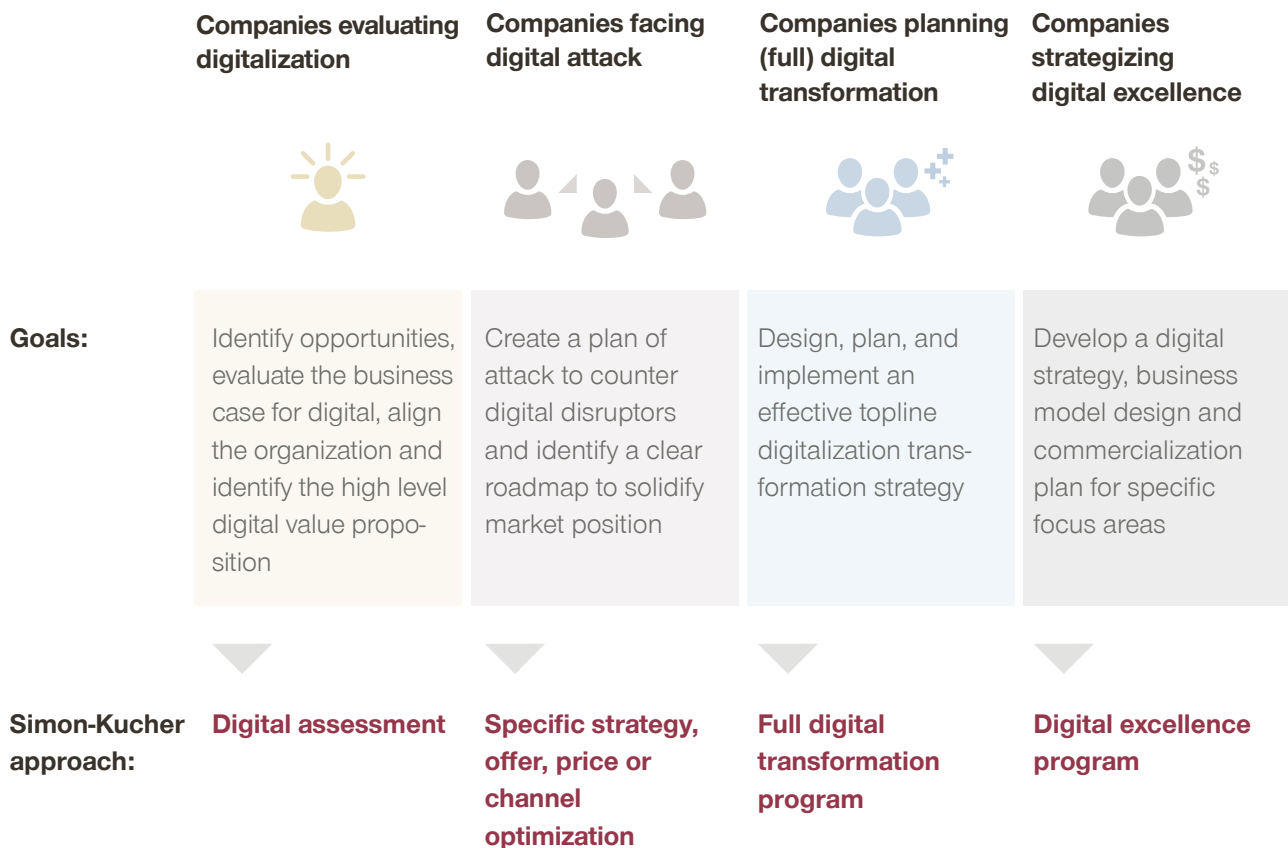
Our digitalization framework is fully geared toward the customer. It looks at all the issues that executive management needs to consider when digitally transforming their company, starting at the top with a digital strategy and overall business model. Two major questions are: How can we deliver the highest value digital offering with the most profitable monetization model? And what is the most effective go-to-market strategy that comprises everything from the sales approach and channel management to customer lifetime value and loyalty programs? The framework wouldn't be complete without a foundation in IT and supporting functions.



On the road to digital success

Not every company operates under the same conditions. Some are already very far down the road to digitalization, others are just starting out. Some are having to deal with attacks from new digital competitors, while others don't feel under that much pressure but want to plan their overall digital transformation thoroughly.

We have anticipated four likely company scenarios and for each one, we have developed a tailored approach for successfully dealing with the relevant digital challenges. If it is unclear where your company stands, a digital assessment is the best place to start, so that you can prioritize your efforts.



The DMMS – Digitalization Maturity and Monetization Score



The DMMS – Digitalization Maturity and Monetization Score

As specialists for revenue, profit, and growth, we firmly believe that even in a digital world, success is fundamentally anchored in the value you provide to your customer. Only if customers value your products or services to a point where you can monetize them, will you be successful.

That's why we developed an easy-to-use scoring system that enables companies to measure the performance of their digital maturity and monetization. For us, it is key to combine a company's digital maturity with its ability to monetize its digital offering.

Once you know where you stand, you can determine what steps you have to take to become a digital champion.

And this is where and how we help our clients: Think things through and devise an individualized plan on how to proceed.

“Companies that invest heavily in digitalization often consider pricing as an after thought – the Digital Maturity and Monetization Score (DMMS) will give these companies a way to measure their monetization potential.”

Madhavan Ramanujam, San Francisco
Partner, Board Member and Digitalization Expert

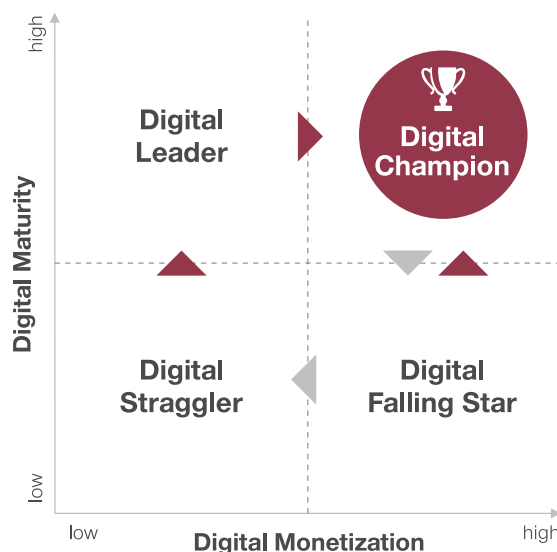
Becoming a digital champion

Take part
in our
survey!

Achieving digital maturity and monetization isn't all that easy in practice.

It requires a comprehensive understanding of a company's specific situation, competitive positioning, and capabilities. There are many roads to success, but typically, companies first move toward digital maturity and then toward digital monetization. In other words, they first create digital reach before they increase their revenues and profits.

The DMMS – Digital Maturity and Monetization Score



“You first create digital reach before monetization makes you rich. That’s why we also call this matrix the Reach-Rich Matrix.”

Dr. Christoph Bauer, Hamburg
Partner and Digitalization Expert

Unleashing your monetization potential

Key findings from our work:

- Digitalization is happening right now. Some industries are still at the beginning of this shift, others are already further down the road. No matter where you stand, embracing the impact of digitalization isn't an option. It's a must.
- Digitalization will affect every part of your business. Similar to previous megatrends, such as “globalization” or “the internet”, it will have a tremendous impact on all of us, but in a very different way for each industry. You need to break this big word down into small pieces to get the full picture.
- Digitalization doesn't rewrite the basic rules of commerce: It's about customers, value, and monetization. Only if customers value your products or services to a point where you can monetize them, you will be successful. Period.
- There is no magic formula for succeeding in a more digitalized world. As digitalization happens on so many different levels, every company has to decide where to act first, what to throw over board, what to keep, and how fast to change.
- THE digital transformation project doesn't exist. Every company is unique, so your approach to digitalization must be too, and this is why all our digitalization projects are customized to your specific situation.

“Digitalization is a journey. It will last decades and it will affect the entire business.”

Dr. Fabian Schulz, Frankfurt
Partner and Digitalization Expert



Discussion

FINISHED

Deadline

PrA & Boma
By PA.
Sikal. X.

Goal M
Trolling \leftrightarrow

To get
Deadline
Total increase

Small
Large

Monetizing Digitalization – The experts



Dr. Georg Tacke

CEO, Bonn
georg.tacke@simon-kucher.com



Madhavan Ramanujam

Partner, Board Member and digitalization expert, San Francisco
madhavan.ramanujam@simon-kucher.com



Onno Oldeman

Managing Partner Netherlands, Board Member and digitalization expert, Amsterdam
onno.oldeman@simon-kucher.com



Annette Ehrhardt

Head of Communications & Marketing and digitalization expert, London
annette.ehrhardt@simon-kucher.com



Wolfgang Johann Mitschke

Chief Technology Officer, Frankfurt
wolfgang.mitschke@simon-kucher.com



David Vidal

Partner and author of the Global Pricing & Sales Study 2017, Paris
david.vidal@simon-kucher.com



Dr. Christoph Bauer

Partner and digitalization expert banking, Hamburg
christoph.bauer@simon-kucher.com



Dr. Fabian Schulz

Partner and digitalization expert software & internet, Frankfurt
fabian.schulz@simon-kucher.com

Monetizing Digitalization – The experts

**Tim Brzoska**

Partner and digitalization expert
consumer & retail, Cologne
tim.brzoska@simon-kucher.com

**Dimitris Hiotis**

Partner and digitalization expert
leisure, travel & transportation, London
dimitris.hiotis@simon-kucher.com

**Adam Echter**

Senior Director and digitalization expert
technology & industrial, San Francisco
adam.echter@simon-kucher.com

**Othmar Schwarz**

Partner and digitalization expert
technology & industrial, Vienna
othmar.schwarz@simon-kucher.com

**Sebastian Strasmann**

Partner and digitalization expert
chemicals & construction, Cologne
sebastian.strasmann@simon-kucher.com

**Volker Handing**

Director and digitalization expert
automotive, Cologne
volker.handing@simon-kucher.com

**Dr. Kajetan Zwirgmaier**

Partner and digitalization expert
telco & energy, Munich
kajetan.zwirgmaier@simon-kucher.com

**Jan Weiser**

Partner and digitalization expert
insurance, Singapore
jan.weiser@simon-kucher.com

**Sven Wengler**

Director and digitalization expert
logistics & business services, Boston
sven.wengler@simon-kucher.com

**Chuck Gammal**

Partner and digitalization expert
life science, Boston
chuck.gammal@simon-kucher.com



Simon-Kucher & Partners, Strategy & Marketing Consultants

Simon-Kucher & Partners is a global consulting firm focusing on TopLine Power®. Founded in 1985, the company has more than 30 years of experience providing strategy and marketing consulting and is regarded as the world's leading pricing advisor.



Global presence

- ▶ 36 offices worldwide
- ▶ More than 1,100 employees
- ▶ €252m revenue in 2017



Americas

Brazil, **São Paulo**
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 USA, **Mountain View**
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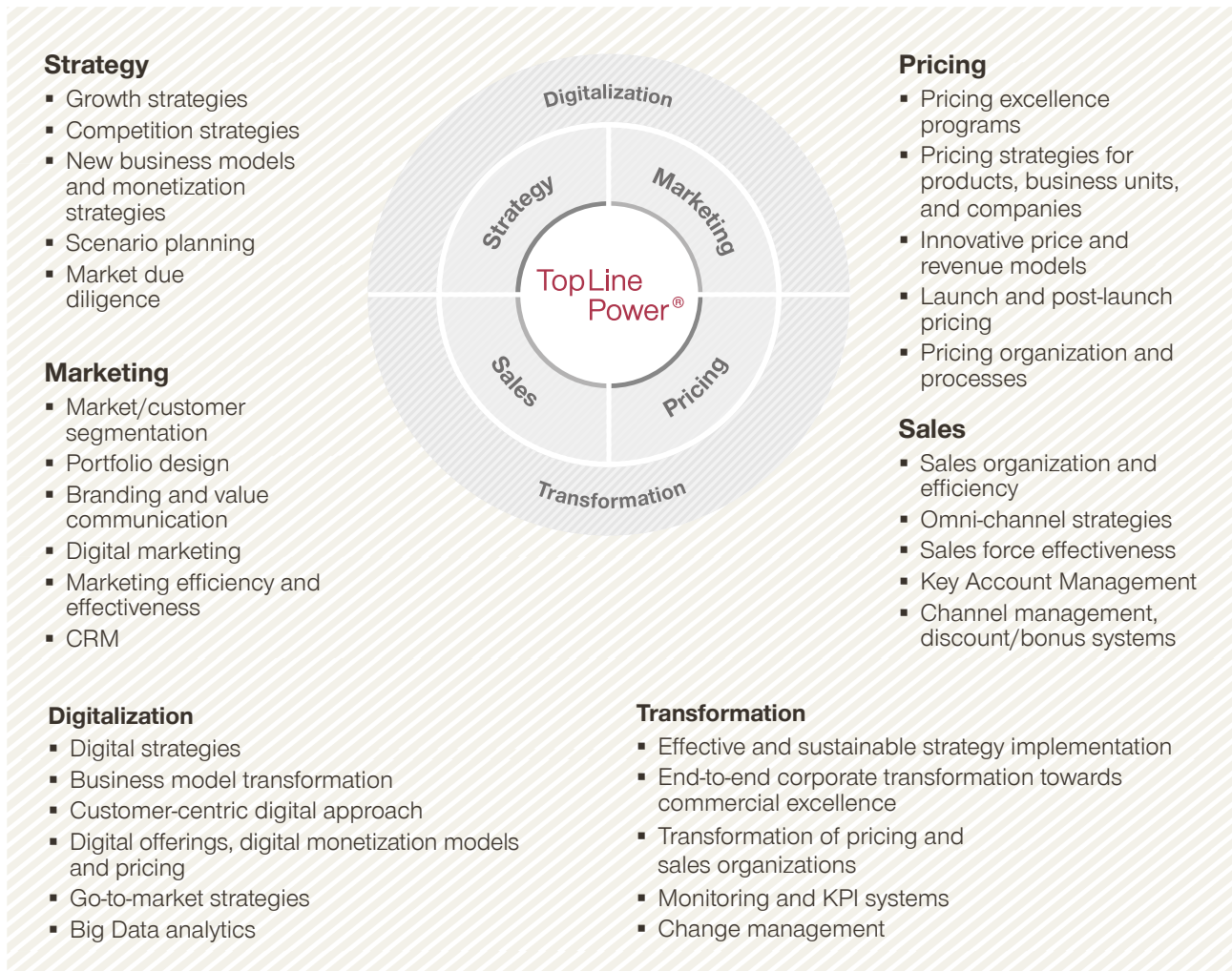
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 UAE, **Dubai**



Capabilities



World leader in pricing

BusinessWeek

"World leader in giving advice to companies on how to price their products"

The Economist

"... the world's leading pricing consultancy ..."

The Wall Street Journal

"Pricing strategy specialists"

Peter Drucker

"... in pricing you offer something nobody else does"

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