

BearingPoint®

Learn from the best:

What it takes to be a digital leader

Digital leaders listen to customers and bring
internal expertise together to deliver excellence



steps to become a digital leader

Digital leadership in 2022 requires a mastery of **personalization, customer centricity, innovation delivery and linking data and technology**, while **addressing real-world challenges**.

Digitalization has transformed all industries, but while much attention is paid to what digital can deliver, digital leadership is hard won, with a huge dependency on getting the execution detail right.

As technology has evolved, so has the prescription for being a digital leader. In 2022, **what makes some digital-leading companies better than others?**

Our 2022 digital leaders study assessed **679 companies from 21 sectors in 11 countries**, against criteria related to digital product experience, e-commerce, e-CRM and digital marketing. We found that digital-leading companies focus on taking the following actions:

1. Placing **customers at the center** of value propositions
2. Generating a **positive emotional response** through all interactions with customers and networks
3. Delivering value with a suite of advanced technology that synchronizes activities and leverages **data centricity**
4. Innovating in all aspects of their **ecosystem**
5. Integrating **ethics, sustainability, and a broad world view** in day-to-day activities.

This report explores how you can take these actions to achieve **success for your business**.

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Research approach

We reviewed each company on the following **four dimensions**.

Digital Product Experience

This plays a critical role in capturing and holding the interest of consumers as they consider pursuing an e-commerce interaction. Consumers increasingly expect websites to be well-designed, logically structured, and easy to navigate, following effective user experience practices. Making a good initial digital impression could be the start of a loyal and profitable relationship with the customer.

E-commerce

E-commerce enables companies to sell through digital channels once they've been attracted to the platform. The presentation of products and services, the shopping experience, and the support on offer all play a key role in driving revenue and minimizing incomplete journeys. E-commerce brings many advantages: it eliminates the need for physical stores and allows businesses to expand their customer base; it lowers costs on rent and maintenance; and it supports the smooth onboarding of new customers.

E-CRM

Well-implemented electronic customer relationship management (e-CRM) enables an effective and efficient way for businesses to interact with their customers (and employees) through digital technology. Customer care post-sale is critical. Switching to other providers is easy, so good customer care and interaction are essential to strong business performance and growth.

Digital Marketing

Digital marketing involves targeting, attracting, and converting customers through web advertising and social channels. Digital marketing is essential in ensuring a company's products and services not only reach their target audience, but also play a role in developing the brand so that it remains competitive.



Key findings

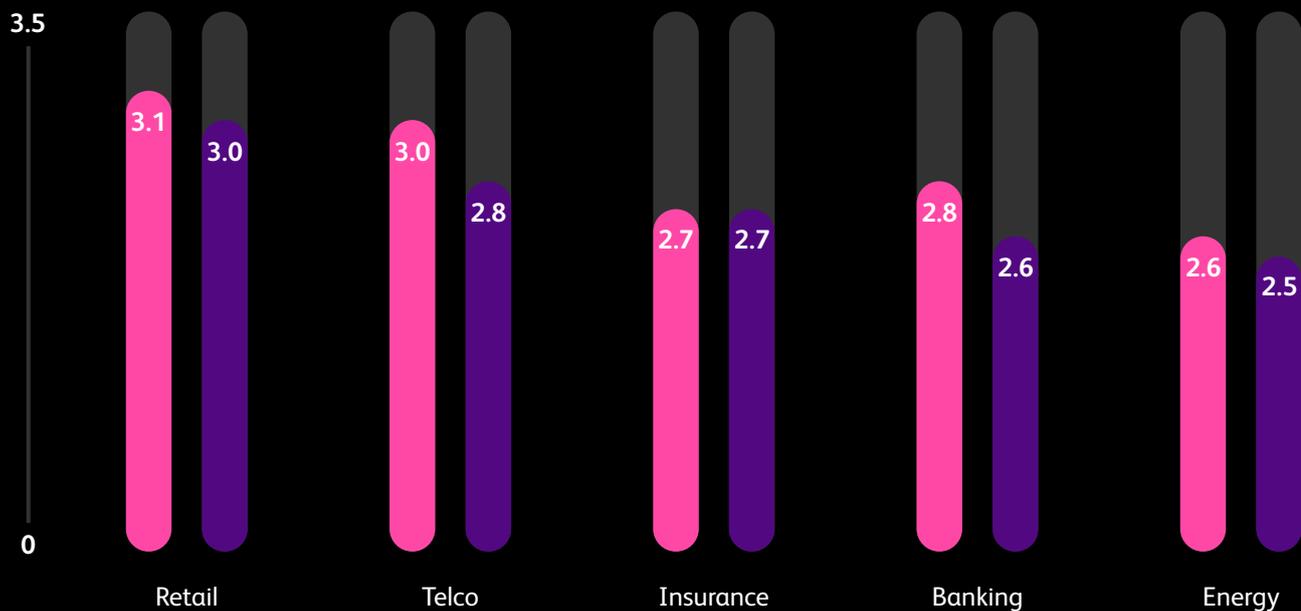
● **Score 2022**
● **Score 2021**
 Fewer companies were assessed in fewer countries in 2021

Performance by dimension



Performance by industry

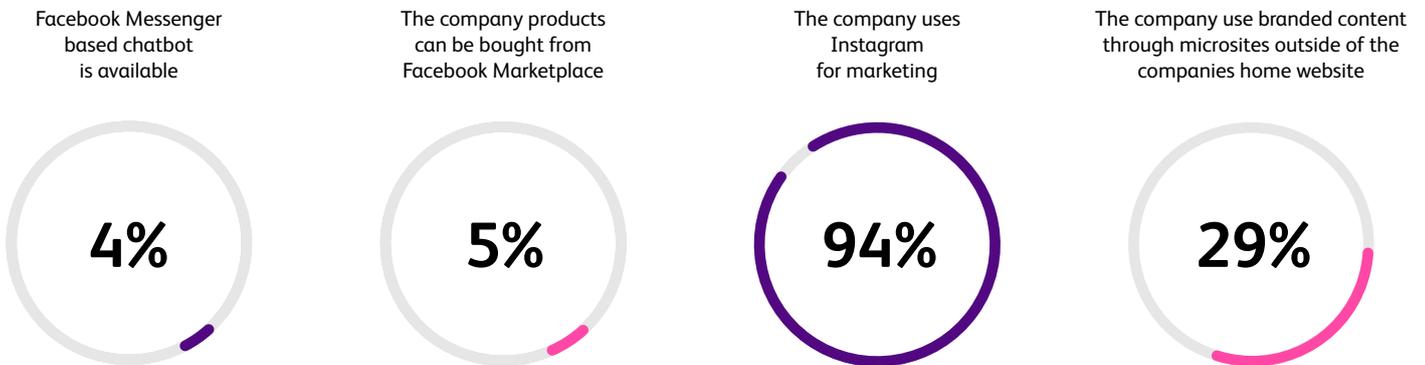
● **Score 2022**
● **Score 2021**
 Top performing industries



Key findings

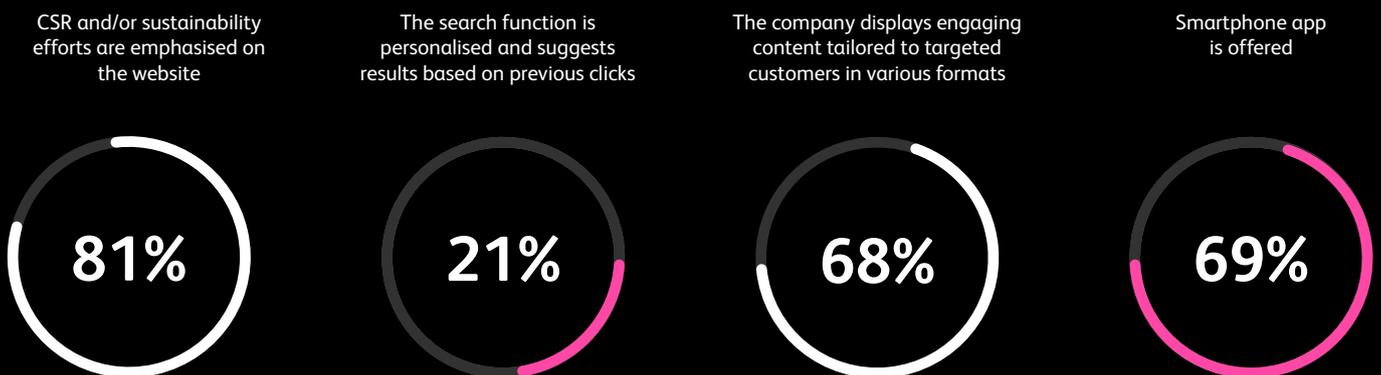
Digital Marketing

Instagram is the most popular platform for advertising across the companies in the study, with a score of **94%**.



Digital Product Experience

68% of companies display at least two types of engaging content for target customers such as videos and articles to increase conversion rates and offer a richer customer experience, allowing customers to make informed decisions.

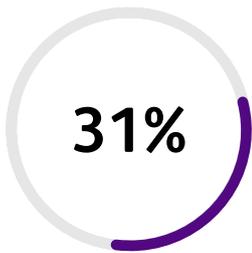


Key findings

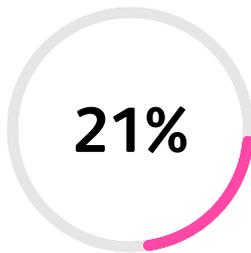
E-Commerce

42% of customer focused companies (excluding B2B) offer click-and-collect services, with **21%** offering click-and-collect services in the same day.

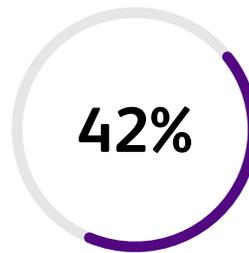
Company website shows related products in product category/pages



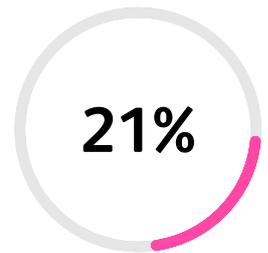
Company provides at least one fast delivery option



Company provides click-and-collect services



Company has a proactive chat service that starts the conversation itself



E-CRM

87% of companies involved in this year's study provide customers with access to an online profile where they can input their information, allowing customers to use their data.

The site allows customers to create an online customer profile



Company website provides a phone number to call customer service



FAQs are answering relevant questions



Company maintains a prospect email marketing campaign



5 critical steps to digital leadership

1

Place your **customers at the center** of your value proposition

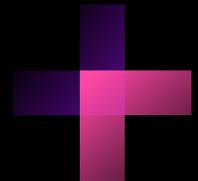
For digital leaders, everything starts with customers. They understand them, personalize offerings for them, and make them feel special.



2

Generate a **positive emotional response** through all interactions with your customers and networks

Digital-leading companies focus on the psychological and behavioral, as emotions engendered by a product last longer than the product's features, however excellent.



3

Deliver value with a suite of advanced technology that synchronizes activities and leverages **data centrality**

Digital leaders focus on getting ever-better data sets and exploiting them with advanced analytics to provide enhanced experiences and build a more trusted brand.



4

Innovate in all aspects of your **ecosystem**

Innovation is a constant, ongoing focus for digital-leading companies. It permeates their organization and interactions with their customers, and their broader ecosystem.

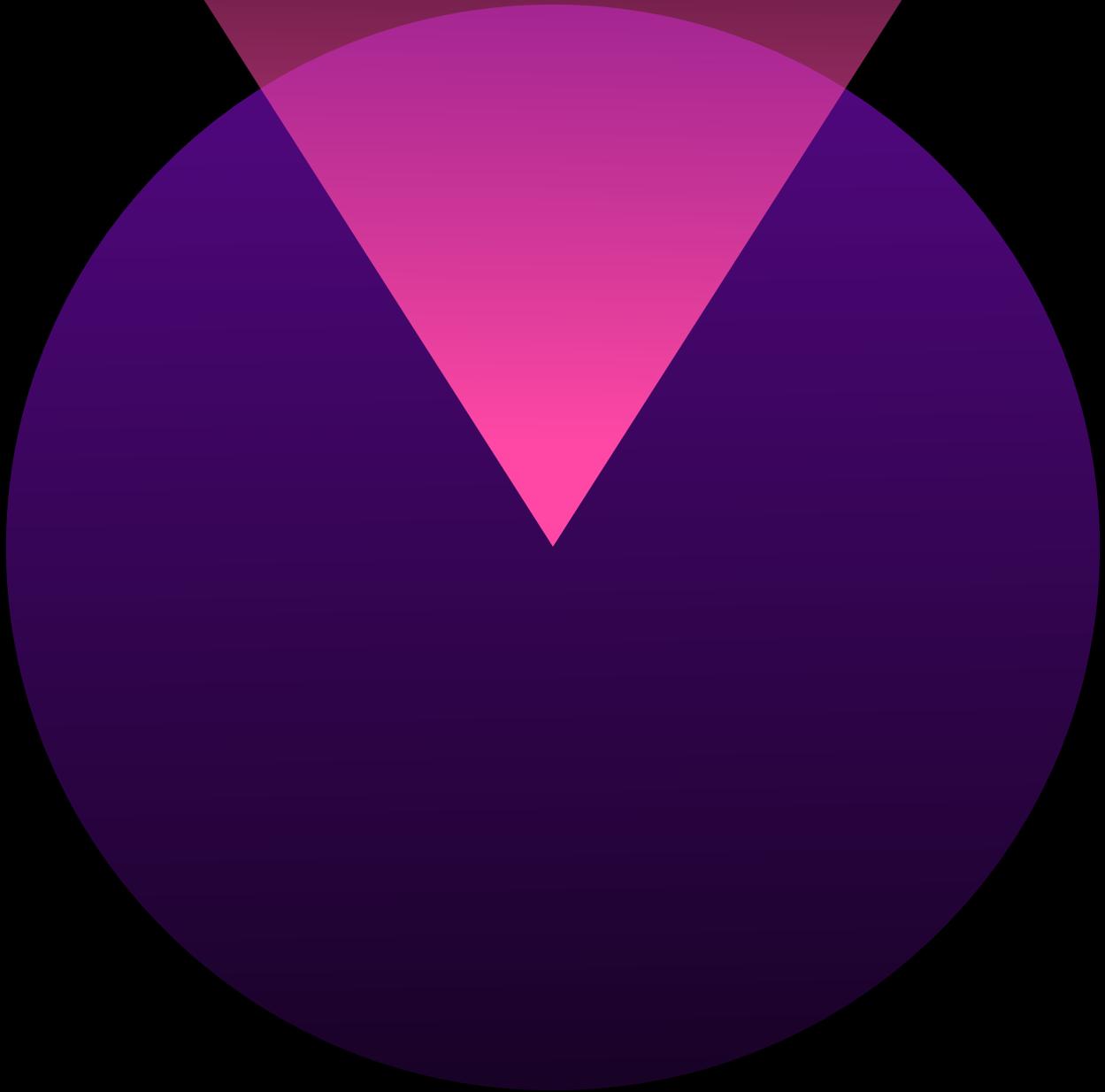


5

Integrate **ethics, sustainability,** and a broad world view in your day-to-day activities

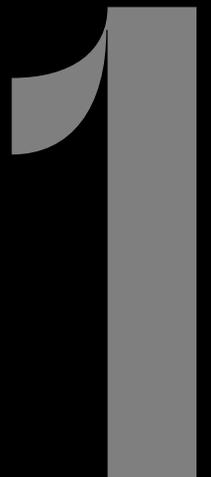
Digital leaders take a stance and use their scale and influence to drive change, while being an exemplar of sustainable, ethical practice.





Place your **customers** **at the center** of your **value proposition**

For digital leaders, everything starts with customers. They understand them, personalize offerings for them and make them feel special.





Leverage marketing and client recognition technologies for a seamless experience



Customers increasingly expect an excellent experience from the brands with which they engage. Personalization is key to delivering this experience and our research shows that leading digital companies personalize the customer journey from end to end, from awareness through purchase to loyalty stages. This depends on high-quality data and a clear understanding of customer behavior and preferences.

As an example, US pharmacy chain Walgreens launched their app in partnership with Adobe, providing customers with individualized and personalized care, including prescription refill reminders and special in-store savings. The app has been downloaded 62 million times. Covid-19 screening was offered, increasing Walgreen app engagement by 40 %¹.

While it can be challenging to deliver this level of personalization now, it will become even more so as changing legislation and customer preferences ultimately result in a cookie-less world. Digital leaders are preparing for this, while ensuring they use other technical and engagement approaches to keep client recognition at the desired level. For example, UK retailer Tesco's client recognition tool – Clubcard – tracks shopping trends and rewards loyal customers. It offers discounts of up to 50 % on some products, which means that Clubcard holders pay up to half as much as non-holders across products in-store and online. Any hit to Tesco's margins is offset by sales volume gains. Clubcard prices now make up more than 95 % of Tesco's promotional sales².

Crucial to ensuring a seamless customer experience is the alignment of workforce skills with the end-to-end offering – digital-leading companies scored highly on this metric. To keep up with the ever-changing retail environment, roles that are more customer experience focused are more prevalent in retailers' organizational charts. In particular, the appointment of a chief customer officer is a key step that many organizations are taking to drive a laser focus on the customer, US department store chain Nordstrom being an example. Nordstrom's new chief customer officer, for example, will oversee their digital platforms while managing customer strategy across all touchpoints³.

A coherent and complete view of operations is also at the heart of digital leaders' approach to sustainability. There is no sense in having a "strong" green IT approach if your delivery and returns strategy encourages multiple deliveries and returns, or if you're not able to monitor the impacts of all your activities. Maintaining a 360° view of environmental impacts is key and the transparency this provides to customers helps reinforce your company's green credentials. One example of this is UK retailer Marks and Spencer (M&S), which has a strong sustainability approach and has created an ESG framework to support its commitment to driving action on the most significant sustainability concerns facing today's businesses. Across the industry, M&S has been a pioneer in ESG standards. Some of its milestones include being the first major UK retailer to launch the "wash at 30 degrees" instruction on their clothes care labels, sourcing all its fishing 100 % responsibly, and only using 100 % sustainable cotton across all its clothing⁴.



Reward **loyal and good customers:** make them feel special

Delivering an excellent end-to-end customer experience is key to business success, and building in a reward mechanism is an approach adopted by many digital-leading companies on the basis that the cost of sale is much lower for an existing customer than a new one.

US fast food chain McDonald's is an example of a company with a strong reward mechanism, with the most recent phase of its loyalty program announced in 2021. Customers are now able to gain points for every dollar spent, while McDonald's employees can do the same by completing training related to the loyalty program⁵.

Loyalty schemes that encourage people to choose one company over another through special offers and/or financial rewards are now commonplace, with the Boots Advantage card⁶ in the UK, launched by UK pharmacy chain Boots in 1997, one of the most well-established. Other approaches involve offering cut-price or advance booking of tickets to concerts, popular among mobile phone providers such as O2⁷ in the UK and Three in Ireland⁸, and providing access to special customer loyalty events or offering special offers to current – and new – customers, as with energy provider Electric Ireland⁹.

Many digital-leading companies also look to influence behavior in non-purchasing related areas. Clothing retailer Patagonia partnered with DIY website iFixit to educate consumers on how to repair their clothing at home, and the company also provides a repair service for their customers at a reasonable cost. By doing this, Patagonia is encouraging customers to hold on to their clothing rather than throwing it out¹⁰. The energy crisis demands that energy companies encourage their customers to consume responsibly. For example, two French energy companies – TotalEnergies and Engie – will offer their customers up to €120 off their bills in Spring 2023 if they reduce their energy consumption this winter¹¹.





Use client performance marketing to make an interactive, highly personal and involved experience **that's about the person, not the product**

Digital-leading companies build deeper levels of engagement with their customers by **building personalized value propositions and individualized experiences.**



Within a person-based approach, detailed customer profiles are used to produce more personalized value propositions. The key to success is to combine real time internal known data about the customer with external data from other companies and precision analysis based to enrich the data collected with new information. Companies who are doing this well include retailer and technology company Amazon and Japanese car manufacturer Nissan. Amazon's purchase recommendation engine is based on customers' purchase history, the items they have in their cart already and items viewed or rated in the past.¹² Nissan tracks each customer purchase and establishes maintenance milestones for them. When it's time for the car in question to be looked at, Nissan sends the customer a personalized email reminding them the car needs to be serviced. Nissan also automatically orders parts on behalf of the customer to ensure availability on customer visits¹³.

An enhanced customer profile can also be used as part of an omnichannel strategy in client performance marketing to provide customers and prospects with real-life experiences that offer a high level of involvement and sometimes a personal transformation of some kind. The key here is to make the experience about the person rather than the product. For example, the Nike Run Club app from US clothing company Nike¹⁴ provides all that's needed to support the individual in their personal running goals, including expert coaching and a running community, creating regular engagement and loyalty.



Some companies, French mobility company Michelin for example, have the capacity to transform the data they hold into a readable customer profile. Michelin had very scattered and siloed data in databases that were standalone and managed independently. Michelin, with leveraging tech giant Salesforce's Marketing Cloud platform, collected all disparate data in one location. This enabled Michelin to see clearly who was buying their tires. A clear image of their target audience was portrayed, and they began to analyze customer behavior and identify patterns. This allowed the company to make a **\$1 million saving in the first year**¹⁵.

The detailed customer profile is also at the heart of a broader approach to strategy, innovation, and marketing within digital-leading companies. This links all activities to customers' needs and desires as identified within the customer profiles, and tests all initiatives against these profiles. This approach helps ensure that infrastructure and systems combine.





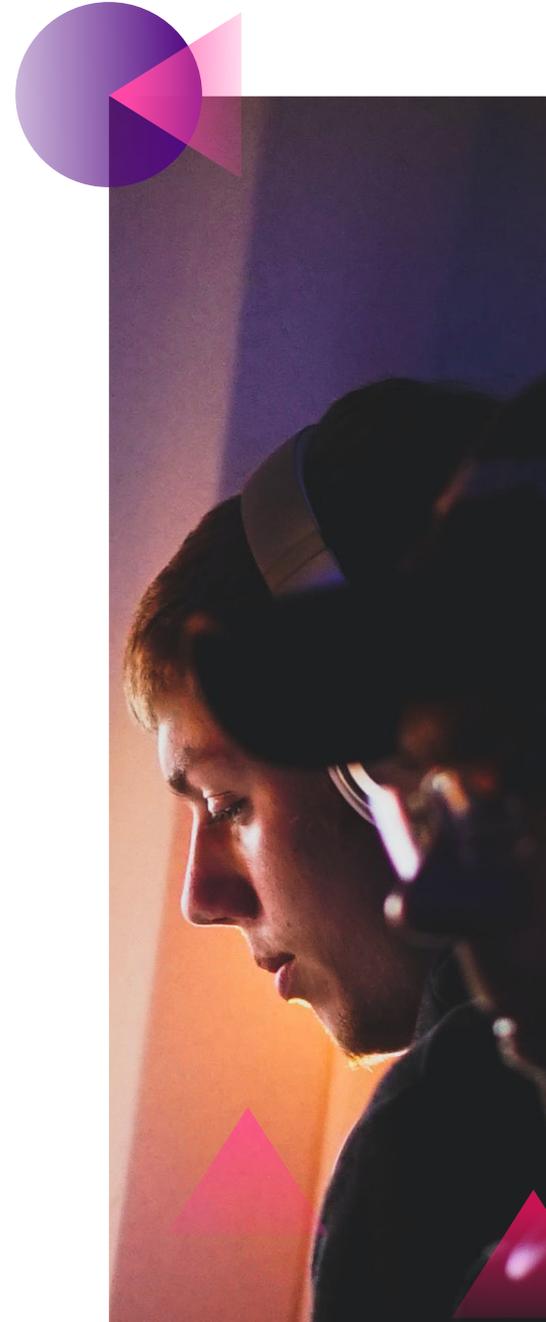
Case Study - international airline group

Maintaining customer culture at all costs – during and after the crisis

This company enhanced its existing customer culture with swift transformation from a transport company to a long-distance relationship company at the start of the pandemic. The company engaged its people and created a holistic program of training and internal events focused on their customers' expectations. The overarching idea was to transmit a feeling or a positive emotion to customers so they feel recognized, even when not traveling. Since resumption of travel, the company's customer focus grew to include more pragmatic approaches to customer care, such as, providing practical help if flights are cancelled, a speedy response to covid regulations and a "no quibble" refund policy.

In this highly competitive market, the airline differentiates itself by aiming to sell travel as an emotional experience, as well as offering a high quality of service. **They have a huge (90%) customer satisfaction rate.**

This leading airline demonstrates all five characteristics of digital leadership. As well as putting their customers at the center of their value proposition and generating a positive emotional response, it executes sustainable development and social responsibility. It is dealing with strong environmental pressure by being a company that is committed to accelerating its energy transformation. The company acknowledges its role in society by enabling employees to take time for civic engagement and training development. It embraces innovation by using data to adapt to the context and needs of each contact channel. It is also investing in IT tools to offer a differentiated service by leveraging data to be mobile, user-friendly and flexible. They have a leadership model that embraces innovation and supports individual initiatives, enabling them to make a difference with their customers.



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Generate
a positive emotional
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Digital-leading companies focus on the psychological and behavioral, as emotions engendered by a product last longer than the product's features, however excellent.



Offer attractive and entertaining experiences outside of transaction or subscription moments

The rational case for buying a product or service only goes so far – if the customer’s emotions are engaged, they are more likely to act.

This understanding has driven a rise in “tryvertising”, in which customers are invited to try a product or service for free, or at a heavily reduced price, before purchasing: the thinking being that once they’ve experienced the service, they won’t want to give it up. Many of the media subscription services have had such offers, including Spotify, Audible, Sky and Google photos. Most of our digital leaders adopted this approach. Spotify is an example of a company with a successful “freemium” model. Non-paying users are unable to skip ads, while premium users can avoid them. Additionally, premium users can also skip songs and benefit from higher sound quality. Spotify had a **46% conversion rate in 2019** from free to paid, based on **217 million active users**, 100 million of which are paid users¹⁶.

There has been a growth in personal, goal-based experiences related to companies’ core products and services to establish a more sustained conversation connected to deeper motivations. By knowing the personal goals of the customer and using a platform of services and products that help them become a “better version of themselves”, digital-leading companies are building brand loyalty and driving up product sales. In Germany, SportScheck, a sports clothing, shoes and equipment retailer, provides a meeting point for sporting experiences, **with more than 60,000 athletes meeting** at SportScheck events every year¹⁷.

B2B companies are also catching up on these new types of conversations with their clients. For example, telecommunications company Nokia hosted the SRExperts “invite-only” event in Spain for customers, staff, and partners. The aim of the event was to provide attendees with unique insights on current regional market trends and Nokia’s long-term strategic plans for the networking industry and IP technology¹⁸.

A key part of targeting the right experiences at the right customers comes back to the customer profile. Proactively anticipating the next step for each customer in their relationship with your company is key. All marketing cloud packages have a customer journey orchestration platform designed to gather customer information from all points of contact with the customer through all channels, making adapted offerings based on this information. The most advanced ones intervene if a journey is not completed, for example, by triggering a call center to contact a customer if they haven’t completed the purchase. UK insurer Aviva is a good example here. They implemented some simple Javascript to their site, which allowed them to track the journey of prospective customers in real time. If at any point the prospective customer encountered any issues, Aviva’s call center agents could intervene and call them instantly. Around 50% of leads were contacted on first go and the call was generally well-received¹⁹.

Build your brand so customers instinctively trust you

Developing a strong offering and supporting it with an excellent customer purchasing experience are key, but if **your brand isn't known and valued it will be much more difficult to win customers.**



Many brands aspire to build authentic conversations with customers around their deeper ambitions, through all relevant channels, and put a lot of effort into this. To be able to do this, brands must first build a very high level of trust so customers will share their deeper objectives and the brands can help them reach their transformational goals. For example, UK pharmacy Boots, established in 1849, has risen to become **the UK's most trusted brand** – essential in healthcare, where trust is imperative. German grocery retailer Lidl has positioned itself in France as a trusted source, with its core focus on the highest quality at the lowest price²⁰.

Other ways of building trust include donating a percentage of the value of transactions to a charity or CSR initiative under the banner of “Thank you for supporting a more sustainable product”.

Others are using crowdsourcing to involve customers in the evolution of the value proposition. Ford used Chaordix software to find innovations regarding transportation across the cities of New York and Detroit. They engaged citizens in these cities to crowdsource the biggest transportation barriers in their communities and opened a conversation with customers and entrepreneurs to find solutions to these challenges. **Over 1,700 people contributed more than 6,000 ideas**, which helped prompt solutions to mitigate transportation barriers in various communities across America²¹.

Provide exciting metaverse experiences to build a community around the brand by leveraging social interactions

Leading brands must be engaged with experimenting with different metaverse experiences in order to understand clients behavior and expectations in the different metaverses and design an agile metaverse strategy.

They are thinking about what their brand should be in the metaverse and how it needs to evolve to make the most of what the metaverse has to offer. A lot of learning and experimentation will be needed to create a strong metaverse brand. Designer lifestyle brand Tommy Hilfiger is an example of a leading brand with a metaverse strategy. Tommy Hilfiger first entered the metaverse in 2020 with a collaboration with the Nintendo Animal Crossing video game. Additionally, they collaborated with the Roblox online game platform in 2021 to redesign the brand's iconic pieces, and they participated in Metaverse Fashion Week by setting up a pop-up virtual shop in Decentraland²².

Our core findings show to become a digital leader you must understand your (future and current) clients. There are different demographics and user case profiles. Currently, this space is evolving very fast without a clear winning technology or platform each having strengths and weaknesses. Therefore its key that organizations test and

learn with each experience and at each event. Then look to build a brand that engages this digital community. It's only then can you look to monetize.

Beyond the metaverse, companies have been using visualization and augmented reality capabilities in their sales activities. German vehicle manufacturer BMW's augmented reality experiences allow customers to customize cars with different colors or styles using their tablets or phones. They can put on virtual reality goggles and experience what it's like to drive the cars, so they understand their options and can make the perfect choice for their new vehicle²³. French beauty brand L'Oréal has an augmented reality makeup experience delivered in partnership with Facebook, enabling customers to choose the product they're interested in without visiting an offline store, but rather by using virtual assistants²⁴.

Case Study - IKEA

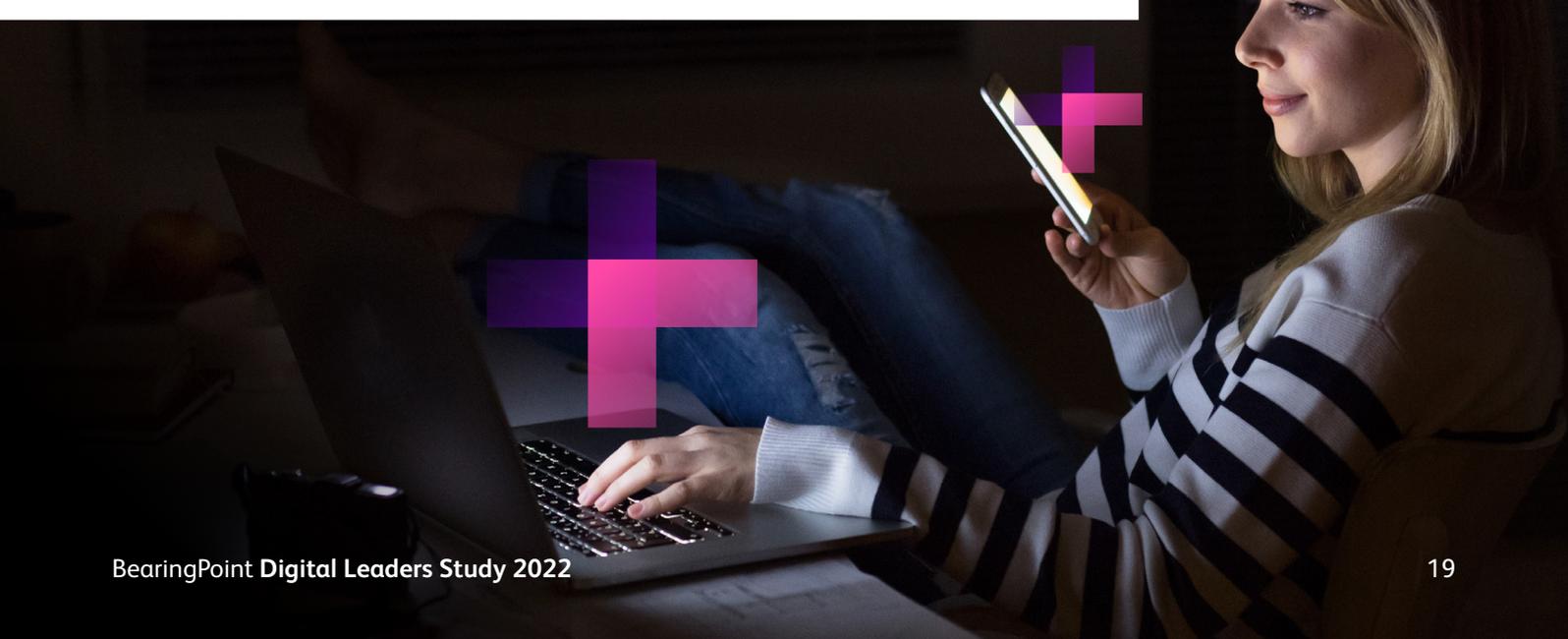
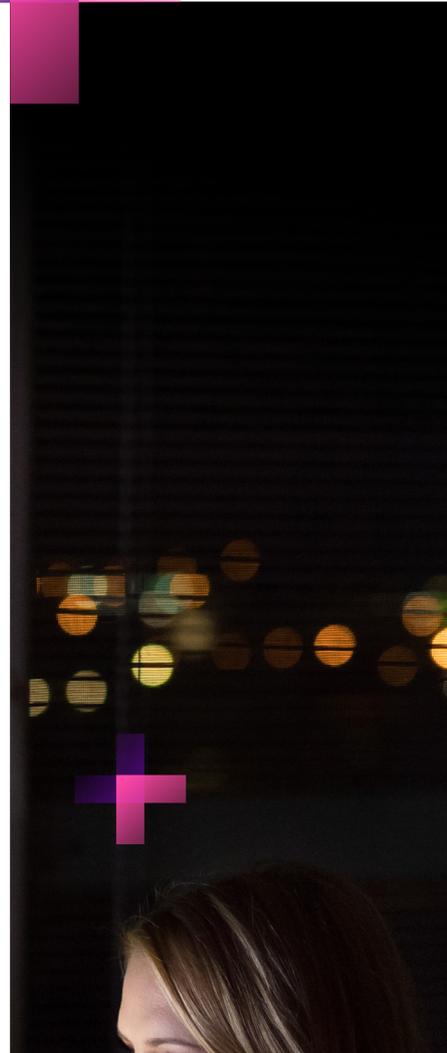
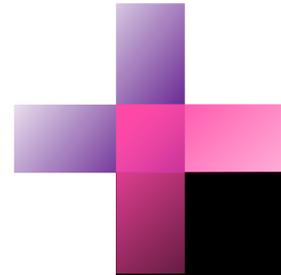
Customers see furniture in their homes before buying

Swedish furniture manufacturer IKEA was one of the early adopters of augmented reality (AR) technology, with the launch of its app, IKEA Place. The IKEA Place app uses AR to enable customers to visualize how furniture will look in their homes before purchasing it.

The app is particularly useful for shoppers who may not live close to an IKEA store, as it takes the hassle out of having to return furniture that does not fit. Through an iPhone/iPad camera, the app can detect a room's size. Users can then select from more than 2,000 IKEA products in the IKEA catalog. Once items are chosen, users point the device to the desired spot in a room and drag and drop their selected product. The user may also enter the measurements of the space they want to buy the furniture for, and the app will scale the chosen item with 98% accuracy based on those measurements. Other features include the ability to see the texture of the fabric and rendering of light and shadows.

The app has recently undergone more advancements. Early iterations of the app simply enabled users to view a single piece of virtual IKEA furniture, but more recent iterations now allow users to virtually furnish an entire room with a multi-placement option and add items to a wish list for further shopping trips.

The IKEA Place app has been very well-received by users, with a 4.6/5 rating on the iOS App Store and, according to company reports, the app has been downloaded 8.5 million times. A year after release, the IKEA Place app was the second-most popular free app built on Apple's ARKit, based on downloads. Additionally, according to Google Trends, searches for IKEA increased after the publication of the article created a significant marketing buzz for the business²⁵.



**Deliver value with
a suite of advanced
technology that
synchronizes activities
and leverages
data centrality**

Digital leaders focus on **getting ever-better data sets** and exploiting them with advanced analytics to provide enhanced experiences and build a more trusted brand.



Use modern marketing and CX platforms with advanced AI and data analytics capabilities

Digital-leading companies are able to provide a unified, end-to-end customer journey and enhanced, personalized experiences.

This is dependent on using advanced technology. Gathering the right data demands a combination of leveraging automated systems and ensuring the workforce captures all relevant data. AI sentiment analysis is at the heart of modern marketing and CX platforms, which tailor the experience to the customer by slicing and dicing customer data and gathering meaningful insights. For example, BMW is using predictive analytics to create the car designs of tomorrow and has already built an AI-enhanced sports car that learns about its driver to automatically adjust the systems and cabin experience to suit each individual²⁶.

Modern CX platforms also support chatbots and messaging apps to build a positive conversational customer experience. Live and asynchronous web chat is being used to review utility company bills and support digital doctors, among other examples. The platforms also connect remote sales teams to customers as needed within the broader customer experience.

Mehiläinen is a Finnish private provider of social and healthcare services. Mehiläinen offers a digital clinic service to customers where they can renew prescriptions or receive treatment for mild symptoms that don't require physical examination²⁷.

More broadly, technology is being used to enhance the customer experience by improving service. Deutsche Bahn, the German railway operator, leverages data from railway switches to predict failures, thus decreasing unexpected delays at scale²⁸. Ocado Technology, part of the UK online shopping business Ocado Group, combines automation, robotics, artificial intelligence, machine learning, simulation, big data and more to deliver an end-to-end e-commerce, fulfilment, and logistics platform²⁹.

Let customers understand what you are doing with their data and move toward being a “trusted brand”

Some digital-leading companies are moving to the next level of customer profiling by not only showing customers what kind of data records are kept about them, but also **inviting them to complete the data.**



German retailer Lidl launched the LidlPlus app, which provides a distinctive and personalized experience to users. Lidl examines how customers interact with the app, such as which products they buy, which coupons they use and how often they use the app. This data allows Lidl to provide unique and personalized experiences to all users³⁰. This shows what higher levels of personalization can be reached, when customers enter more data, although this can only work when a company is highly trusted.

Giving customers access to their data removes a fear that they are being spied on and helps make the move to a “loving brand” - that is, one that builds a relationship around social benefits. Encouraging and educating customers to leverage digital tools and socio-environmental benefits that are gained from data insights takes this sense of a partnership to a new level.

Making the most of data to learn about the context in which products or services are used helps companies provide brand-building insights. For example, Azena is an open platform and marketplace for smart security and safety solutions. AI apps from the Azena application store, which are designed for security cameras in restaurants and stores, can monitor and analyze customer motion and suspicious behavior. This can reduce theft, manage queues and waiting times at the cash register, and optimize store layout by gaining insight into customer behavior³¹.

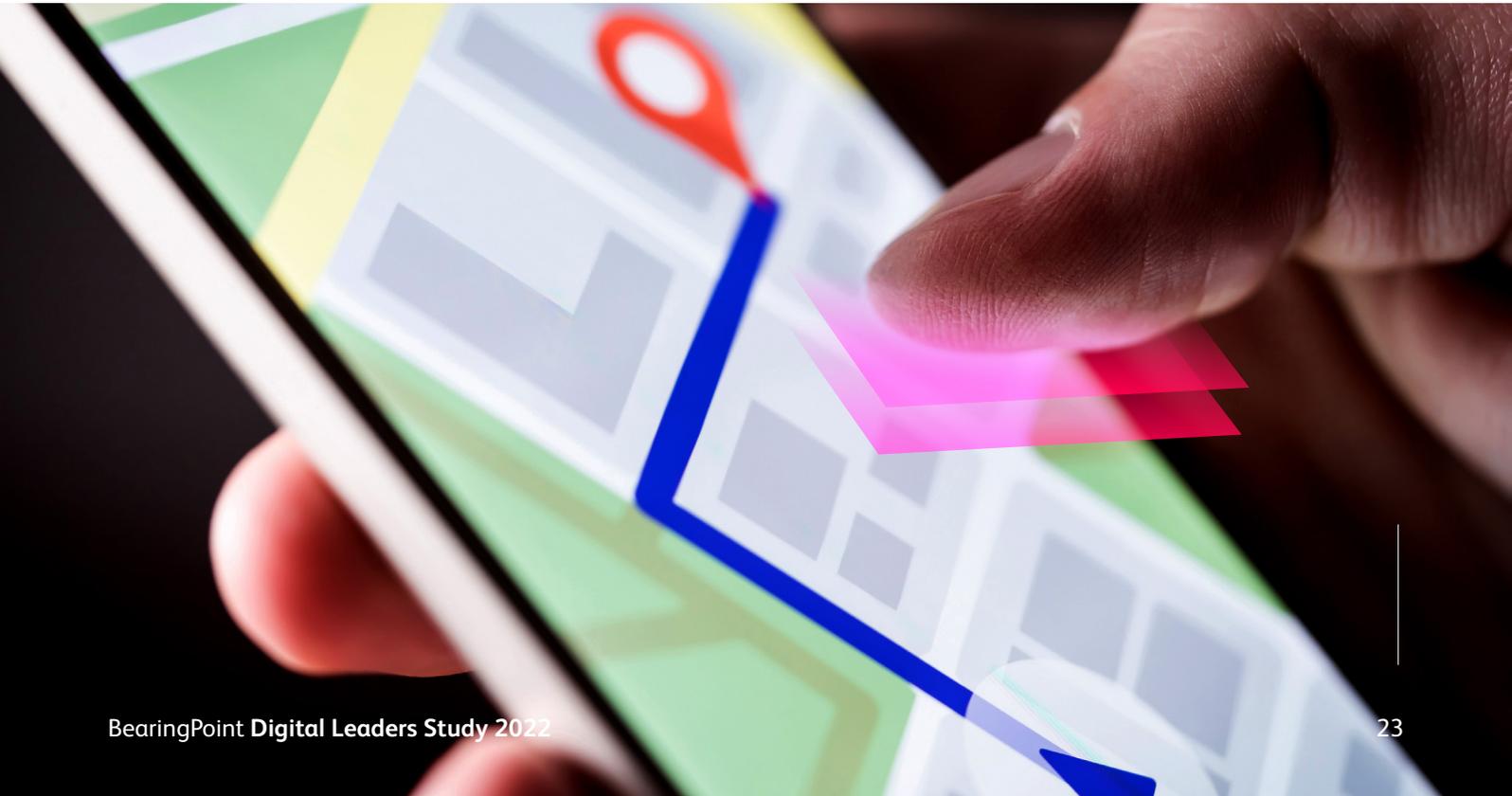
Enrich your data often, including third party and open data

We are seeing examples of digital-leading companies working together to offer an experience **that goes beyond the single product experience.**

For example, a furniture company might work together with a lighting company to design the ideal working environment. With the right permissions in place, data can be exchanged or combined, with open data drawn on, where relevant. To appreciate the potential of light in the home and the positive impacts it has on wellbeing, IKEA collaborated with Dutch designer Sabine Marcelis. The range, including two LED wall lamps which capture the warmth of the collection, was unveiled at the IKEA Festival, which took place at the 2022 Milan Fashion Week³².

Becoming the owner of an open data platform can set the standard in an industry and allow a company to be a strategic first mover. There is currently a move toward open data, with many data sources available on data portals that organizations could use to enrich their products.

This could be map visualization layers, GPS data, or distance data to understand the footprint of traveling to stores. Google Maps has integrated transport planners into their platform using open data made available by public service organizations. For example, The Irish National Journey Planner provides open data on journey planning, including timetables and travel information from all licensed public transport providers across Ireland, including information on train, bus, tram, ferry, and taxi services. Public transport departure times are available online or on the Google Maps app itself, and these allow customers to plan their journeys effectively³³.



Case Study - Yelp

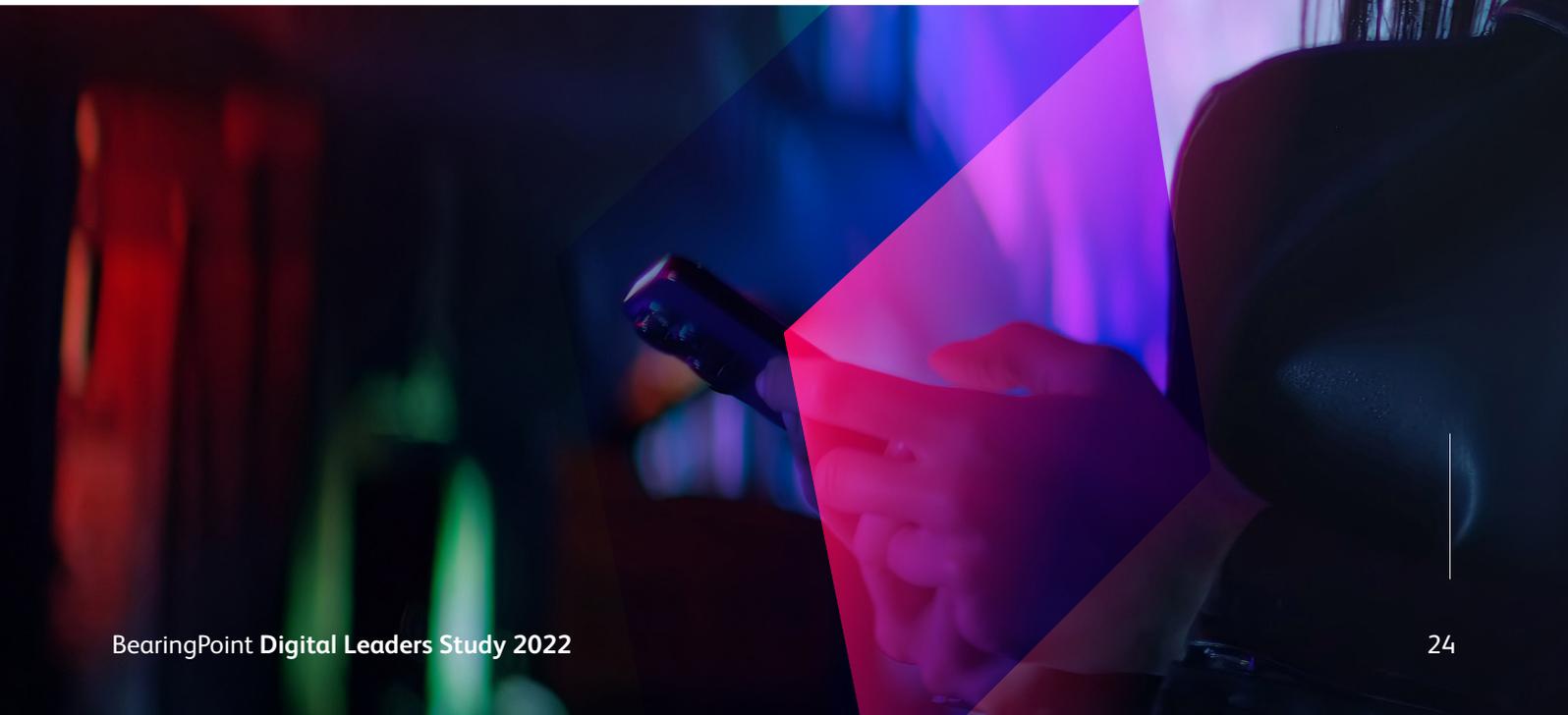
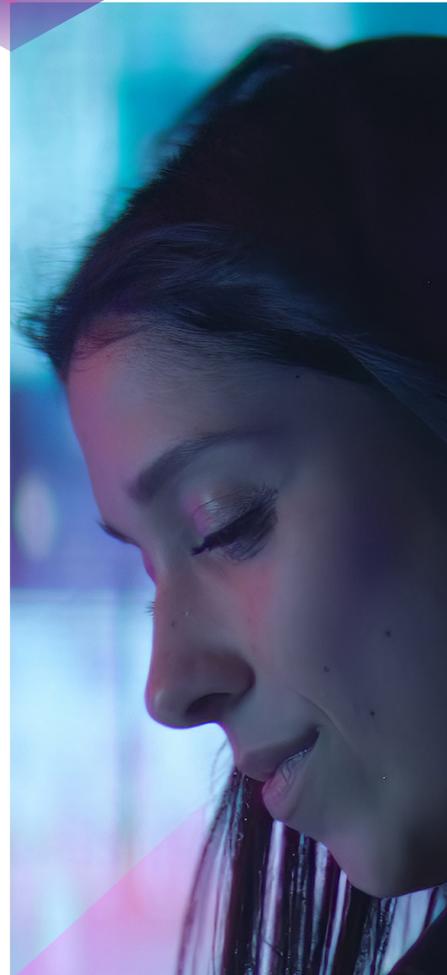
Personalization pays dividends

Yelp is an example of an app that excels in personalization. The app provides users with customized recommendations and search results based entirely on their stated preferences.

Yelp’s app enables customers to enhance their own customer profile by using a preference center. Dietary, lifestyle and accessibility choices are just a few of the options available to users. Since users can directly define their preferences, two people conducting the same search will receive entirely different results. For example, a search for “lunch” will produce one set of restaurants for someone who is vegan and another for someone who is gluten free.

Furthermore, the app also has a lifestyle section where users may list their interests and identify whether they have, for example, children, pets, or a car. Yelp will start tailoring the app depending on customers’ choices once they start making them³⁴.

Yelp does not treat these preferences as filters so search results will not hide, for example, restaurants that do not satisfy all the user’s criteria, but rather indicate which preferences each restaurant meets³⁵. Yelp also doesn’t give all preferences the same weighting. Importantly, it prioritizes dietary restrictions over other lifestyle factors.



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Innovate in all aspects of your ecosystem

Innovation is a constant, ongoing focus for digital-leading companies. It permeates their organization and interactions with their customers, and their broader ecosystem.

4



Use innovation to drive business outcomes and enable your customers to thrive

Customer loyalty comes from increasing engagement with a brand, and digital-leading companies are using digital touchpoints to involve customers in co-innovation – for example, in collecting ideas and testing MVPs. Microsoft's Xbox Cloud Gaming has taken this approach with its Innovative Beta Service³⁶.

Indeed, companies can engage customers in innovation across the entire customer lifecycle, by mapping out the customer journey and using it as a framework for innovation. Digital-leading companies constantly make micro improvements at all their touchpoints based on customer input. For example, **UK mobile phone company GiffGaff saved costs by setting up a customer-to-customer discussion forum instead of a customer services department**³⁷. Hootsuite is a tool for managing social media that enables users to manage all of their accounts from a single dashboard. Customers were surveyed to determine what they thought the landing page should have, and 65 % of respondents said it should have more details on the main services Hootsuite offers.

Hootsuite revamped its landing page to explain its primary offerings, which resulted in a **16% lift in conversion**. Udemy is an online learning platform that provides online courses. The company used surveys, with questions such as "How did you find out about Udemy?", which allowed Udemy to identify their strongest advertising channels³⁸.

Taking this approach to innovation requires a culture shift and it's essential that you bring the people in your organization with you to enable experimentation and learning without fear of consequences from mistakes.

Be organized and efficient at generating innovation that creates value for the consumer

Co-creation gives the ability to co-design and test market appetite at the early stage of developing a product or service, but it's no replacement for external market research.

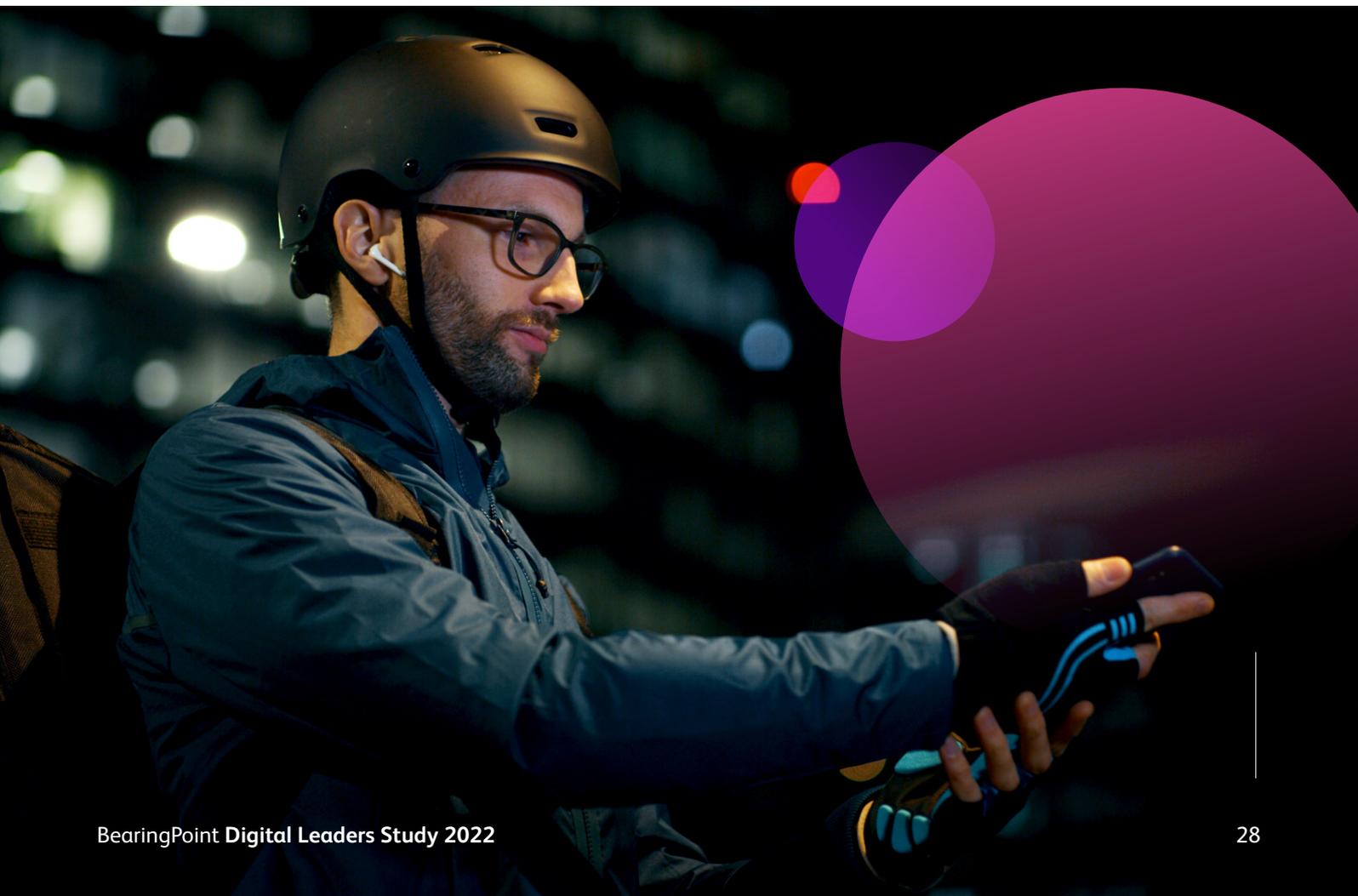
Leading brands already have a platform in place where they can test these ideas quickly. Opportunities also arise for making improvements from customer complaints. For example, US audio product manufacturer Sonos recently changed its software so its older speakers could not be updated. A loyal customer who complained was invited to be part of their innovation group. Another example of a company that effectively listened to customer complaints was US retailer Timberland.

From 2006 — 2012 their revenue fell due to their broad, unfocused product range and suboptimal marketing efforts. Timberland shifted from being a company that was product-focused to one that was customer-focused. Customer feedback collection and analysis became the primary goal. Through its surveys, the company developed a clear picture of its most valuable customers. Based on customer responses, it streamlined its product line and improved its marketing efforts³⁹.

Leverage ecosystem partners to **foster innovation**

A huge amount of expertise is available to you in the ecosystem within which you work. **Look to assemble this expertise with a focus on innovation**, so that ecosystem partners can collaborate with you and be on a par with your in-house product developers.

Think through your supply chain ecosystem to see where best practice and/or competencies are. This can help deliver enhanced service to your customers, as in the case of US pharmacy chain Walgreens, which launched a two-hour delivery service leveraging ecosystem partners⁴⁰. To achieve a two-hour delivery time for retail goods in the US, Walgreens partnered with meal delivery services Doordash and UberEats. Orders are placed online or through the app and packaged by store employees before being picked up by delivery drivers⁴¹.





Case Study - L'Oréal

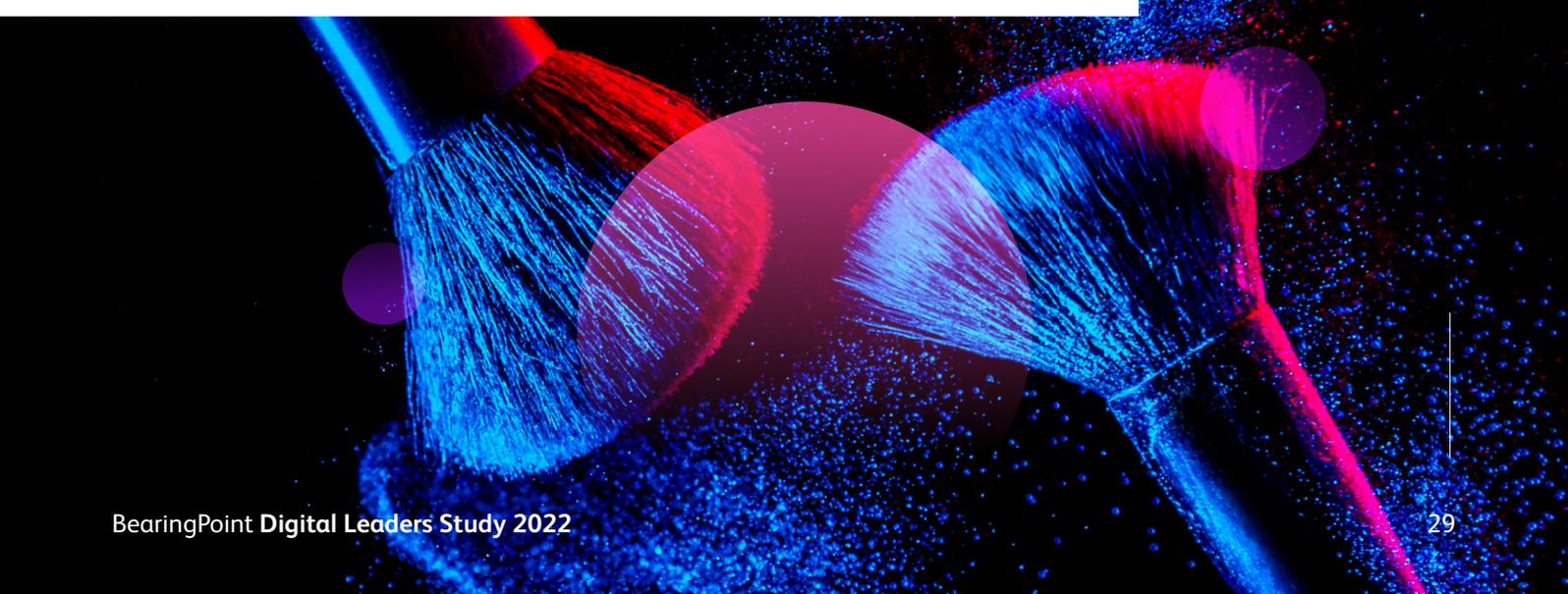
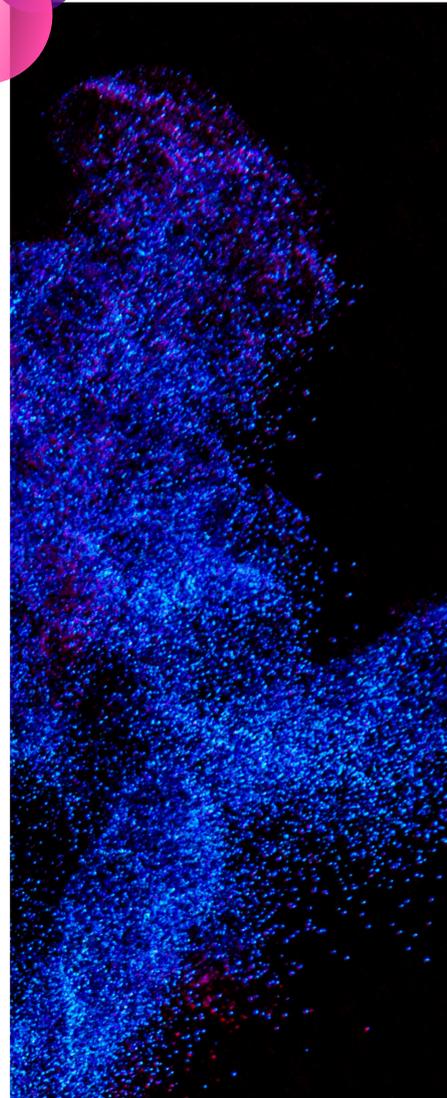
Boldly investing in the beauty ecosystem

Leading French beauty brand L'Oréal launched its innovative BOLD (Business Opportunities for L'Oréal Development) strategic venture capital fund in 2018. The aim of the fund is to invest in emerging beauty start-ups. BOLD “explores the frontier of beauty”⁴² by providing minority investments in promising start-ups across the beauty value chain. Some examples of start-ups include Carbios, SalonInteractive and Functionalab.

The companies that L'Oréal invests in are given mentoring and assistance by leading experts in product, retail, digital, and research, and have ongoing opportunities to network with leading figures in the beauty and tech industries. L'Oréal approaches each start-up individually, providing contacts and mentorship that align with their mission and goals.

L'Oréal BOLD invests in a variety of industries. It has a particular focus on emerging brands with strong brand stories, as well as brands promoting integrated wellness, health, and beauty. Innovations in biotech, green science, and data/tech in the beauty industry are also being recognized. Making its first venture capital investment in Japan in May 2022, L'Oréal BOLD acquired a stake in Japanese start-up Sparty⁴³. Sparty's business model is dedicated to personalized beauty in the form of personalized products and consumer experiences.

Furthermore, L'Oréal launched the Bold Female Founders initiative to support female-led start-ups. The initiative will focus on investment opportunities worldwide across the wider beauty ecosystem – including brands, beauty tech, biotech, and green science. As a result of this initiative, **30% of the start-ups receiving BOLD venture capital are led by women**⁴⁴.



**Integrate *ethics,*
sustainability, and
a broad world view
in your day-to-day
activities**

Digital leaders take a stance and use their scale and influence to drive change, while being an exemplar of sustainable, ethical practice.

5

Develop a world view with a real radical response

In the past, brands have **tended to stay neutral** on matters that might be perceived to be political, but today's brands dare to have a sharper opinion and customers are expecting this.

This is partly driven by a desire to be perceived as “human” or “authentic”, and partly to engage a broad audience. Indeed, instead of differentially targeting those who are most able or likely to buy, digital leaders are including a wider range of audiences, mindful of social issues that are emerging around subjects such as the wealth gaps between generations and people of different ethnic backgrounds. For example, the head of the French supermarket group E.Leclerc, Michel-Édouard Leclerc, urged the French government to remove the 2018 law requiring French supermarkets to add on a 10% profit margin to their products. Given the current rates of inflation, he said he wanted the law removed so he can offer products to customers for less.

There is a societal need for brands with a stronger moral compass. Given their power and reach, brands are able to impact CSR themes. Examples include the positive response to hybrid working, the support for famine and other relief, and the support for sanctions against Ukraine. For example, less than 10 days after the Russian invasion of Ukraine, Inter IKEA Group had taken the decision to pause all IKEA Retail operations in Russia⁴⁵. Digital Leaders compass in no longer profit only. They have a role to play in our world, mostly on global warming but also on major society topics.

Build **cradle-to-grave sustainability** with strong policy and action

Most digital-leading companies have determined what their purpose is and many are taking bold steps away from the traditional growth-focused approach toward “proactive sustainability”.



This involves companies moving away from a mindset of repeat purchases to creating products that will last a lifetime, with only small repairs needed. Clothes retailer Patagonia is an example of this⁴⁶. Italian energy company Enel is committed to Net Zero energy generation by 2040 and 94 % of its investments planned for 2022 — 2024 are in line with United Nations Sustainable Development Goals⁴⁷. German sportswear brand Adidas has partnered with Parley Ocean Plastic to develop footwear from recycled plastic as a project that will appeal to eco-conscious consumers⁴⁸.

Brands have a responsibility to encourage and educate customers to make responsible choices, whether around delivery and returns preferences or choosing more ethically sourced, sustainable products. Loyalty programs are used to help encourage more sustainable, ethical, and healthy behavior, in such areas as sustainable travel (“fly responsibly”) and alcohol (“drink responsibly”).

For example, Arla is a Swedish multinational dairy company that is driving sustainability by using sustainable packaging, applying sustainable farming practices, and minimizing food waste. This includes Arla using fewer and better materials in their packaging, which are preferably recyclable or renewable and responsibly sourced. By the end of 2021, 90 % of their packaging was recyclable⁴⁹.

There is an opportunity for companies to combine product and service marketing with employer branding and employee recruitment marketing. Patagonia, for example, starts each job description with “this job helps to save the world because ...”. These kinds of messages can be used in product and service marketing as well.

Implement modern tools to improve ESG

Ensuring sustainability across your value chain is essential.

Digital leaders are bringing in innovative solutions to improve positive impacts, such as reducing emissions, avoiding waste, and understanding the origin of goods. There are some best-practice examples of using blockchain and emission-tracing tools. One is Persefoni's carbon-accounting platform, which allows customers to measure, forecast and report organizational and investment portfolio carbon footprints⁵⁰. Another is Emex's ESG reporting software. This enables clients to manage environmental, social, and economic impacts at a local, regional, and corporate level – ensuring alignment with relevant stakeholder expectations⁵¹.





Case Study - Unilever

Sustainability sustained

Unilever has been one of the leaders in sustainability for over a decade, originally establishing its sustainability objectives in 2010 and continuing to evolve them since then. More recently, Unilever has committed to halve food waste from production to store by 2025. An example of a way it is achieving this is in ice cream production. Unilever has created a process to capture any waste, re-melt it and add it back to the production operation. As the world's largest ice cream manufacturer, this is a crucial step⁵².

The company also vowed to increase plant-based sales, which will help reduce greenhouse gas emissions. The company expanded its range of plant-based meat and dairy substitutes in 2018 after purchasing the Dutch-owned company "The Vegetarian Butcher". Unilever has also established its "Future Foods Initiative", which is focusing on doubling the number of products that deliver positive nutrition globally by 2025⁵³.

Furthermore, Unilever is introducing innovative packaging with the goal of replacing plastic with paper-based bottles. These paper-based bottles can be recycled in the paper waste stream and are made from pulp that is generated sustainably. By spraying the inside of the bottle with a coating that repels water, the bottles can hold liquids⁵⁴.

With a clear view of its social and environmental obligations, Unilever is dedicated to creating plant-based substitutes to packaging and products derived from fossil fuels. They are aiming to reach net-zero greenhouse gas emissions by 2039⁵⁵, and they are already taking social action for people's welfare in the areas of climate action, positive nutrition, and health and well-being.





Conclusion

Act now and be the next digital leader

In a highly competitive world, firms that survive will be those that consistently set themselves apart from the rest. Our 2022 in-depth study on **679 companies across 11 countries** shows which organizations have demonstrated digital leadership.

We at BearingPoint believe Digital leadership is hard won, but by executing each of the **five actions**, it can be achieved.

1. Really believe the customer is at the center of your value proposition. Ensure everything starts with the customers, and **focus on making them feel special** via personalized products and services.
2. **Understand the psychological and behavioral impact of your services and products** and differentiate through all interactions with your customers and networks to provide a positive emotional experience.
3. Utilize advanced technology, leverage data and advanced analytics to provide enhanced **experiences and build your trusted brand**.
4. **Innovate in all aspects** of your ecosystem's interactions with your customers, and their broader ecosystem.
5. **All customers and suppliers are citizens of the world**; therefore authentically adopt sustainability and ethical decision-making in all your activities.

The five are mutually supportive and by **executing in each area you will succeed in becoming a trusted brand**. You are therefore putting the customer at the heart of everything you will need to generate an emotional response to your offering. This will mean you have to be authentic in your ethical and sustainable positioning and to achieve this you will have to innovate and therefore need to utilize technology and data. Execute effectively and be the digital leader of tomorrow.



About BearingPoint

BearingPoint is an independent management and technology consultancy with European roots and a global reach. The company operates in three business units: **Consulting, Products, and Capital**. Consulting covers the advisory business with a clear focus on selected business areas. Products provides IP-driven digital assets and managed services for business-critical processes. Capital delivers M&A and transaction services.

BearingPoint's clients include many of the world's leading companies and organizations. The firm has a **global consulting network with more than 13,000 people and supports clients in over 70 countries**, engaging with them to achieve measurable and sustainable success.

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Appendix

Research approach and methodology

The Digital Leaders Study assesses the digital competitiveness and success of prominent companies.

The aim of the Digital Leaders Study is to gain an understanding of companies' digital maturity across different industries, as well as to review the opportunities and challenges that arise from digitalization.

This study covers **679 companies** from **21 sectors** in **11 countries**. Our objectives were to find answers to the following questions:

- **How successful, in terms of digitalization, are companies in any featured country compared with their competitors and international best practice?**
- **Which industries have taken digital transformation seriously and responded to the growing demand for digital customer services?**
- **Which companies are the most successful in the various digital dimensions?**
- **What are the main areas for improvement for different companies and industries?**

We have evaluated the companies digital maturity, looking at how well they can serve their customers through digital channels. **No interviews or direct contact have been made with the companies included in the study, and all evaluations have been done from an outside perspective.**



Appendix

Selection criteria

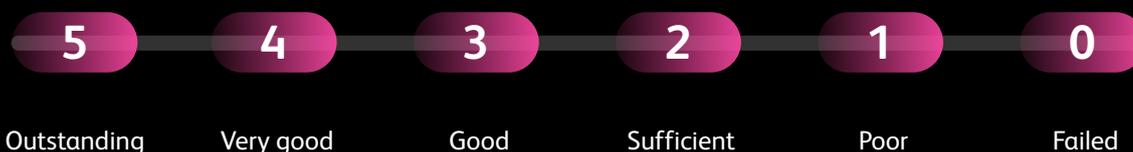
The following selection criteria have been used to identify the companies to include in the study:

- Significant turnover
- Decision making is mainly in the country whose web estate is evaluated
- No more than one brand in the same industry per company

Note: some companies have been chosen even though they do not fulfil all these criteria, if they have been regarded as interesting to include in the study.

Assessment of digital maturity

The companies selected are assessed based on their ability to serve their customers through digital channels. The evaluation is done based on 290 objective criteria, defined for four different dimensions of digitalization: digital marketing, digital product experience, e-commerce and e-CRM (see definitions on page 4) Each dimension is given a certain percentage weighting factor based on its importance to the overall score. The dimensions are graded from 0 to 5, with 0 indicating a failure with regards to digitalization and 5 for outstanding, compared with the highest international standards.

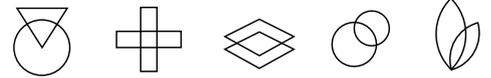


An objective evaluation of companies' digital maturity is done based on the criteria defined. However, where necessary, some criteria are tailored to different industries – for example, adjusted criteria are used for B2B companies to evaluate the e-commerce dimension. Those criteria that are not applicable to certain industries or companies are disregarded in evaluations, so that they do not affect the overall evaluation of those companies. The data was collected from Dec 2021 - June 2022.



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