# KPMG

# Clarity on Digital Transformation in Switzerland

# Executive Summary

New information and communication technologies have a growing impact on business models, value chains and customer behaviors and businesses are finding themselves forced to adapt to the new circumstances. The term «digital transformation» describes the ongoing changes that business processes and operations are undergoing as well as customer interaction driven by new information and communication technologies.

This process of change is being driven by two main forces: mobile technologies and the ability to store and evaluate increasingly large volumes of data. These developments are opening up opportunities to boost customer loyalty, set up new sales channels and boost the efficiency of in-house collaboration. Digital initiatives and ways of dealing with new information and communication technologies need to be examined in their entirety and fine-tuned to each business corporate strategy. KPMG has conducted a survey on this topic, the results of which are summarized and analyzed in this document. They reveal that a digital strategy has not been implemented at the companies surveyed and it is something that is not planned in the future, either. Instead, the aim is to embed digital initiatives in existing business, IT and marketing strategies to create corporate added value.

Another finding was that collaboration between the IT and marketing departments is important and will become even more important in the future. According to the companies surveyed, these departments should exchange information on a regular basis. Closely linked to this new approach is the cultural transformation within the organization that goes hand in hand with digital transformation. The survey reveals that technology-related issues are increasingly topping the agendas of executive management. Due to the fact that customer and employee interaction occurs increasingly via digital channels, companies are also faced with the challenge of orchestrating digital touchpoints in a targeted manner. Dialog-oriented communication on the various social media platforms calls for comprehensive social media governance and sound guidelines. Digitalization makes processes, interaction and communication more transparent and measurable. That, in turn, enables businesses to steer and optimize their digital activities based on solid data. The results of the survey confirm that the companies questioned are already measuring a variety of different key performance indicators (KPIs), yet quite often at a very simplistic level. Most companies currently lack a consistent, cross-channel monitoring framework, which would enable digital KPIs to be compared with strategic objectives and thus make it possible to effectively manage digital channels.

# Introduction
# and background

## 2.1    Preface and approach

From the perspective of change management, digital transformation represents a huge challenge that simultaneously affects both customers and employees. The opportunities offered by digital touchpoints should be taken into account as early as possible in the strategic planning process. Digital touch-points form a central part of the strategy because they require conceptual management and must be handled in a structured, operational manner. This will enable companies to boost added value, reduce risks and positively influence their internal and external image.

The term **"digital transformation" stands for ongoing changes to business models, business processes and operations as well as customer interaction in connection with new information and communication technologies.**

In Switzerland, a variety of studies have been conducted on the individual topics of social media, mobile computing, etc. What has been lacking, however, is a holistic approach to studying digital transformation. In light of this, KPMG Switzerland conducted a survey among companies in Switzerland in 2014 which looked at how these use and manage digital media, channels and technologies. The statistical population included medium and large companies (from 250 to more than 5,000 employees) in various sectors. The majority of the participants asked were CIOs and CMOs, the reason for this beeing to highlight the tension between Marketing and IT. Around 30 of the companies that took part in the survey were inter-viewed using a KPMG-developed tablet app or a web-based questionnaire.

This study examines digital transformation, including its background and how it is understood by these companies, while also looking at current challenges within this context. Possible solutions to those challenges are then identified based on these insights. The results of the survey reveal how interactions along digital touchpoints are handled and how these can be measured. Recommended steps provide concrete indications as to what companies can do in order to promote the further development of digitalization within their own companies.
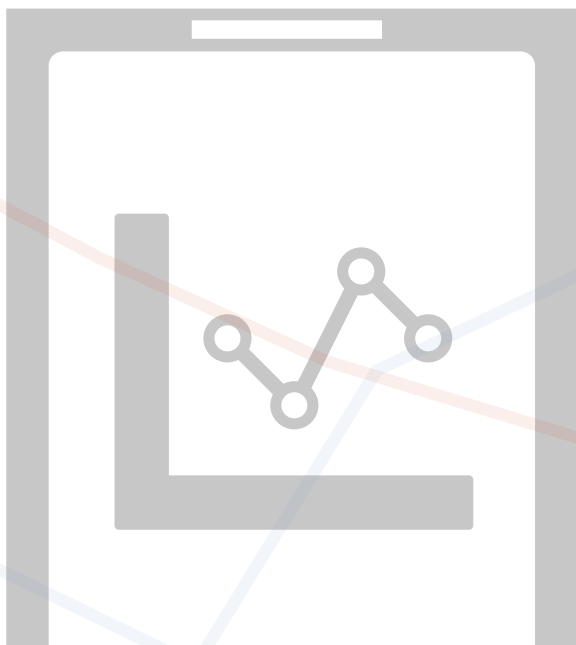
## 2.2　　Digital transformation in Switzerland

New information and communication technologies have a growing impact on business models, value chains and customer behaviors. The result is that businesses are finding themselves forced to adapt to the new circumstances.

The physical world and the virtual world are converging at an increasingly rapid pace. While companies' digital touchpoints are still manageable, they are no longer fully controllable. Businesses must act accordingly.

Digital transformation is interpreted differently by the people we interviewed and depends heavily on a company's stage of digital development. The majority of the managers surveyed understand the term "digital transformation" to mean the digitalization and automation of business processes.

When digitalizing a company, many businesses take advantage of the change process to optimize their methods and procedures and to organize them in a more efficient way. Departments are reorganized, processes digitalized and standardization is used to drive efficiency forward. This gives rise to new working methods that cut costs and, possibly, increase customer satisfaction.

## 2.3    Challenges presented by digital transformation

Companies have recognized that the digitalization of their business processes is vitally important for safeguarding their future financial success. The biggest challenge is to strictly manage technology trends such as mobile, big data & analytics, as well as to establish a company-wide communication culture that is open to dialog.

Technological change is a major theme on the agendas of those responsible for IT and marketing. Yet which trends influence companies most? We put this question to the people we interviewed. The megatrends mobile together with big data and analytics were categorized as extremely important. Social CRM still plays a minor roll across all sectors. In principle, it can be said that these trends represent a big challenge because they frequently impact all of a company's organizational units.
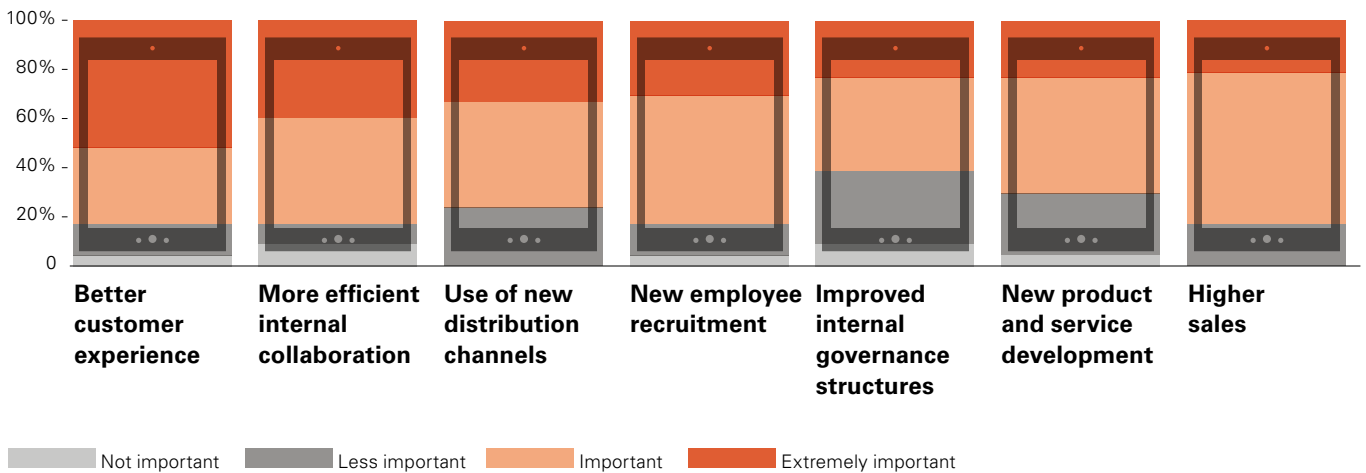
**How would you rate the following challenges in terms of how they impact your company?**

21% **Big Data & Analytics**

13% **Social CRM**

16% **Social Media**

12% **Internal Collaboration**

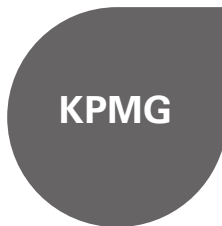15% **Multichannel Publishing**

23% **Mobile**

We wanted to find out how much of an impact digital technologies have on target achievement. Companies are increasingly shifting their focus to customers. New possible uses for digital technologies make it possible for companies to optimize the customer experience at customer touchpoints, establish new distribution channels and boost the efficiency of in-house collaboration.

**To what extent do digital technologies contribute toward achieving the following targets?**



Legend: Not important — Less important — Important — Extremely important

Categories: Better customer experience | More efficient internal collaboration | Use of new distribution channels | New employee recruitment | Improved internal governance structures | New product and service development | Higher sales

Overall the results reveal that social media, mobile web analytics and social media analytics will become even more important in the future than they are today. Location-based services, gamification and wearables, on the other hand, are still only used on an experimental basis.

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"Businesses invest in new technologies to open up new distribution channels and increase their customer focus even further. They employ targeted and efficient means of distributing information to boost customer loyalty and cultivate a dialog with their target group.

Digital initiatives make a quantifiable contribution toward business growth targets. In this context, competitive advantages hinge on a company's agility in terms of meaningfully adapting to new technologies."

## 2.4    Holistic approach
## to digital transformation

Customers increasingly sophisticated needs together with technological changes call for companies to rapidly adapt their business models to suit the market. Digitalization affects all aspects of a company – its products and services, prices and even operations. In the future, successful companies will be those that keep their processes flexible, are able to adapt swiftly and are capable of «digitalizing» at the same time.

The companies we surveyed are faced with constant technological change and digitalization of their business processes. Digital projects have gained in significance at top management level. Digital transformation is a change process that makes demands on personnel and financial resources. In that context, it becomes even more important for top management to actively be able to address the technological possibilities and assess the opportunities and risks of digital transformation.

For a company to successfully steer digital transformation and meet its targets, it needs to employ a holistic approach which takes that company's particular business model into consideration from a digital perspective. The foundation for such an approach is provided by a comprehensive analysis of the current situation within the context of the enterprise. Afterwards, the digital vision and strategy, as well as concrete targets and principles, can be drawn up as they relate to digital transformation. Ideally, in order to implement the strategy developed, a roadmap should be worked out that documents the individual areas of action and their interdependencies. The impact of this action should be measured against meaningful digital KPIs.

"Mobile, cloud computing, big data, social media analytics and gamification stopped being buzzwords on the technological playground a long time ago."

Marcel Härtlein,
Head Digital Transformation, KPMG AG

# 3

# Where do Swiss enterprises stand?

## 3.1      Strategic alignment

The impact of technologies on business models, products, services and internal processes is undisputed. The ability to rapidly gear digitalization toward an enterprise's specific market needs in a flexible and targeted manner is a critical success factor for businesses of all sectors.

Since digital initiatives must be attuned to the business strategy, digital projects are important points on executive management agendas in many companies.

When it comes to introducing a digital mentality, many of the managers surveyed feel that the corporate culture, employees, organization and existing expertise present the greatest challenges.

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"A holistic, comprehensive examination of digital initiatives requires that these be attuned to the company's strategic alignment. Here, the first step is to determine what impact digital technologies have on corporate goals. To do this, the digital maturity of the relevant areas of business must be measured to fully assess the current situation. The next step involves drafting a digital vision based on this assessment and defining specific objectives. The answer to this question is pivotal: 'What do we want to achieve through the use of new technologies and what opportunities do these open up for us?'

A cultural transformation together with organizational changes are both fundamental for providing digital opportunities the scope required to have an impact on the company's financial success."

**What are the biggest challenges that come with digital transformation?**



Corporate culture

Employees
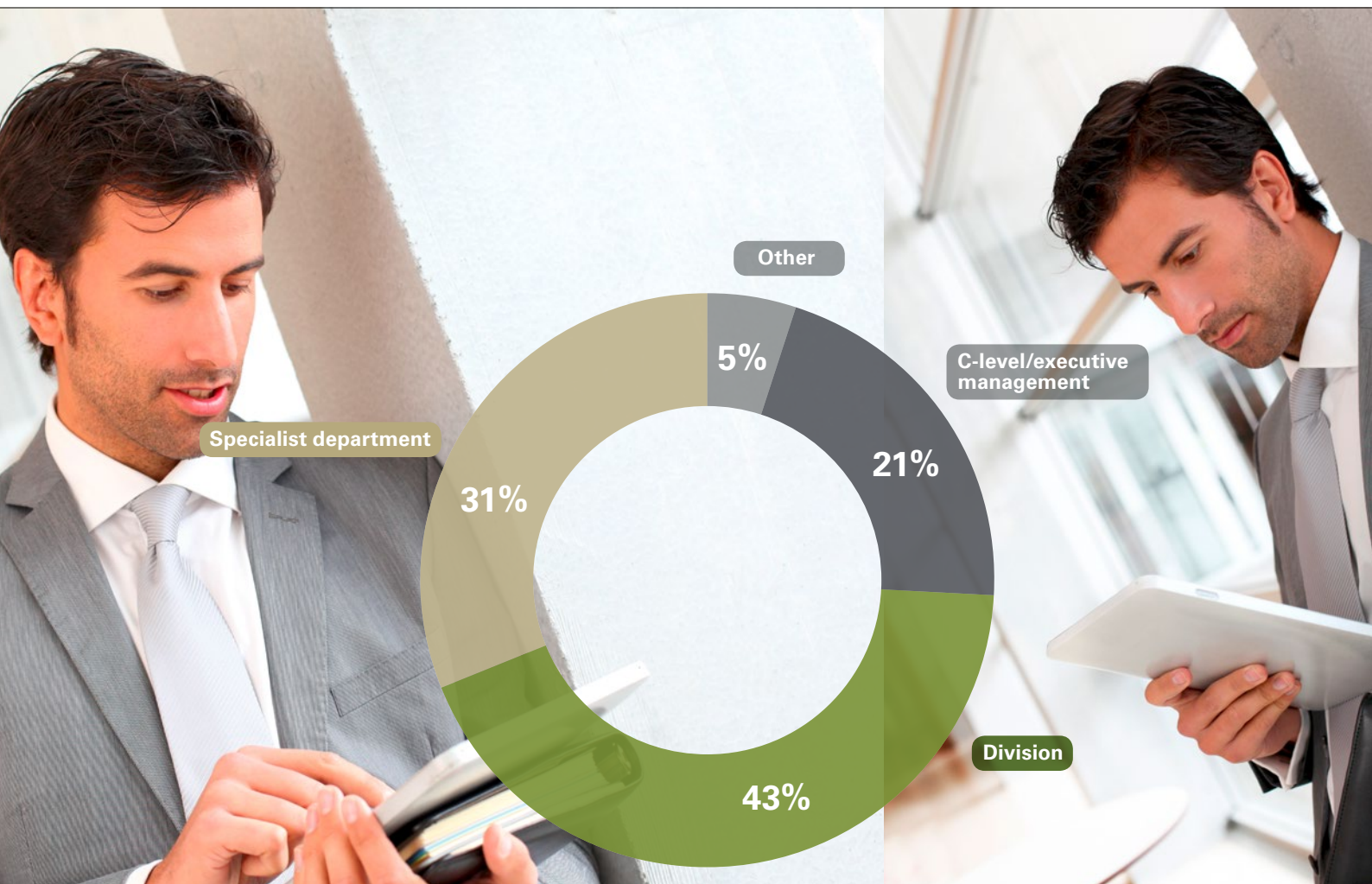
Organization

Knowledge/skills

Processes

Technology

## 3.2    Companies' digital organization

Overall responsibility for digital initiatives should be located at executive level. Only then it is possible for implementation to follow a holistic approach. More and more companies in English-speaking countries are calling for C-level digital experts. In Switzerland the situation is different: The majority of the people interviewed rejected the possibility of creating a CDO position (Chief Digital Officer).

Nowadays, new impetus for digital projects comes largely from operations. Customer proximity is a key factor in these projects. At one fifth of the companies surveyed, digital projects are prompted at executive level. This, however, depends heavily on the sector. Enterprises from the financial and insurance industries, in particular, play a pioneering role in this respect.

**At which functional level are digital initiatives proposed?**



Other
5%

C-level/executive management
21%

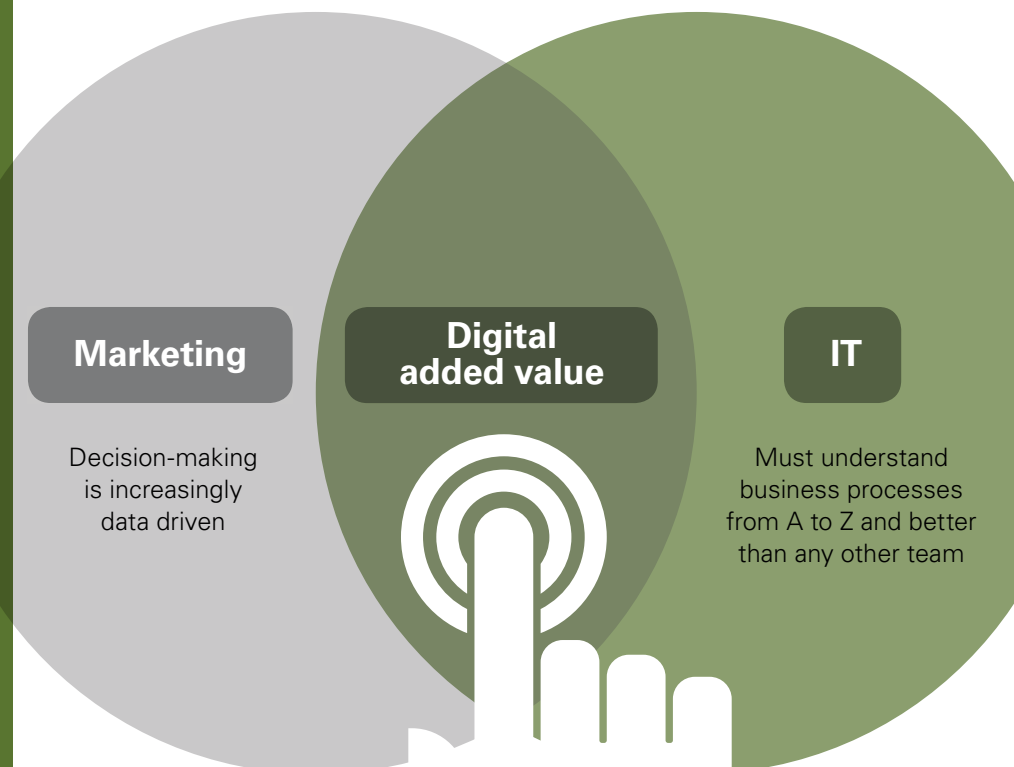Specialist department
31%

Division
43%

Overall responsibility for digital initiatives is often assumed by the Chief Information Officer (CIO) or the Chief Marketing Officer (CMO). At many companies, this responsibility also lies directly in those specialist departments with proximity to customers. Depending on the sector, either the CIO or CMO takes over the role of digital leader. This role cannot be clearly defined since the projects implemented are frequently carried out jointly and are cross-departmental in nature.

Since our survey revealed that the CDO position will probably not exist in Switzerland, a major challenge will continue to be ensuring that the IT and marketing departments collaborate in a spirit of partnership. This causes tension and/or presents a conflict of interests in many companies. Yet, if the IT department fails to get involved in marketing projects, this can quickly result in a shadow IT department within marketing. One problem with this, however, is that the time-to-market and complexity of new technology applications is frequently underestimated from a marketing perspective. That impairs both the efficiency and effectiveness of digital initiatives. Marketing teams are currently working on mobile apps, web content management systems and social media management tools, the personalization of online offers and multichannel, context-relevant communication solutions. All of these projects require key technological challenges to be mastered and this, for logical reasons, really requires close collaboration with the IT department.

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"Digital transformation projects call for close collaboration between the IT and marketing departments. What's important is to eliminate silo mentalities and any conflicts of interest that might exist in terms of steering these functions and projects. Because the position of CDO is not considered an option, specialists from IT and marketing will need to approach one another from within their respective areas of expertise. On the job market, for instance, marketing professionals with a digital background are currently in high demand. In addition, the organization has to be adapted in such a way it permits cross-departmental collaboration."

**Marketing**

Decision-making is increasingly data driven

**Digital added value**

**IT**

Must understand business processes from A to Z and better than any other team

## 3.3 The digital enterprise and cultural transformation

Twitter, Facebook, LinkedIn and Instagram have become indispensable parts of our personal lives. Companies are increasingly implementing social media approaches in a professional context, as well, with aims that include the promotion of internal collaboration. Online collaboration platforms, social intranet and microblogging are no longer alien concepts.

**Which technologies/tools do you use to improve cooperation within the company?**



| 73% | 20% | 33% | 20% | 27% |
|---|---|---|---|---|
| Collaboration Tools | Mobile Apps | Social Intranet | Micro-blogging | Other |

People and the corporate culture are key criteria in a company's success. New technologies play an important role in the promotion of collaboration. Our survey reveals that progress made by the various companies in terms of implementing these technologies differs greatly. The use of "classical" collaboration platforms such as Sharepoint, Lync, etc. is relatively well-implemented.
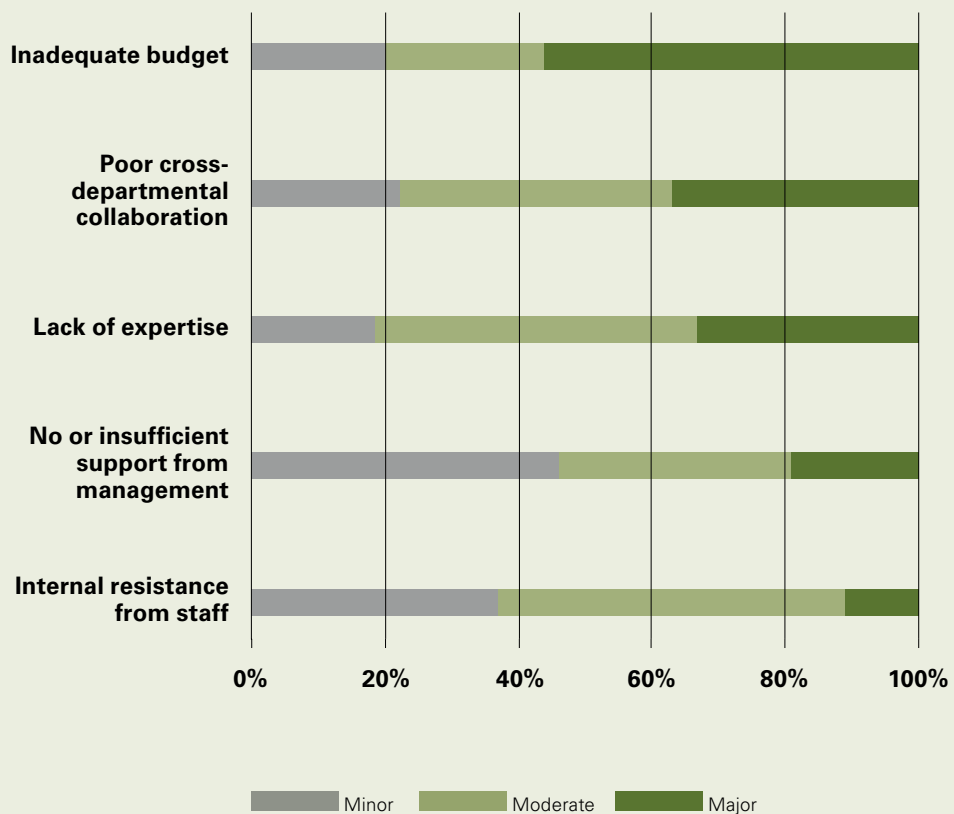
Three quarters of the companies surveyed responded that their employees accept these new technologies for internal collaboration. This high level of acceptance can be attributed to measures such as active communication with staff (intense training sessions or management's own use of the technology).

**What are the biggest challenges facing digital transformation?**



| | | |
|---|---|---|
| Minor | Moderate | Major |

Chart categories:
- Inadequate budget
- Poor cross-departmental collaboration
- Lack of expertise
- No or insufficient support from management
- Internal resistance from staff

Axis: 0% 20% 40% 60% 80% 100%

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"When introducing new technologies,
it is vital that objectives are clearly defined
and communicated. These then serve
as the basis for drawing up, documenting
and approving holistic concepts. Additional
measures that aim at getting employees
involved also influence the desired development.
Employees should play an operative part in
the change process. Their objectives should
be geared accordingly. The transformation
into a technology-savvy company cannot happen
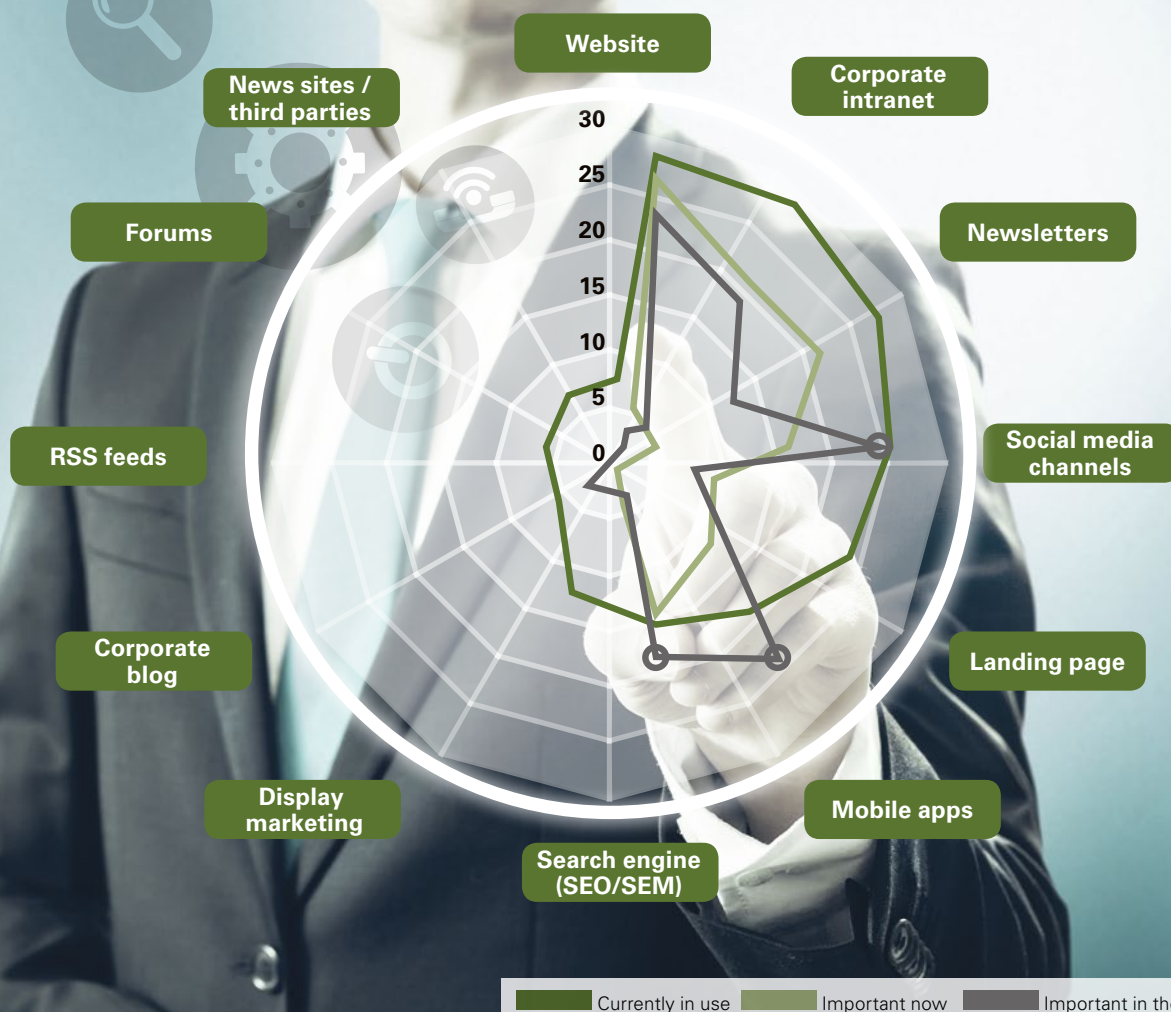without 'Employee 2.0'."

## 3.4 The significance of digital touchpoints

Customer interactions will increasingly take place via digital channels in the future. Businesses need to learn how to understand existing digital touchpoints and manage them efficiently.

Nowadays, every company has a digital presence on a wide variety of different platforms. This offers both customers and employees a number of ways to interact with those companies regardless of where they are currently located or what time it is.

Digital touchpoints such as websites, intranet sites and social media channels are gaining importance and will continue to offer crucial opportunities for interaction in the future, as well. The executives surveyed are of the opinion that compared to today, search engines and mobile touchpoints will take on an increasingly important role in the future.

**Which digital touchpoints do you offer?**



Legend:
- Currently in use
- Important now
- Important in the future

Categories shown: Website, Corporate intranet, News sites / third parties, Newsletters, Forums, Social media channels, RSS feeds, Landing page, Corporate blog, Mobile apps, Display marketing, Search engine (SEO/SEM)
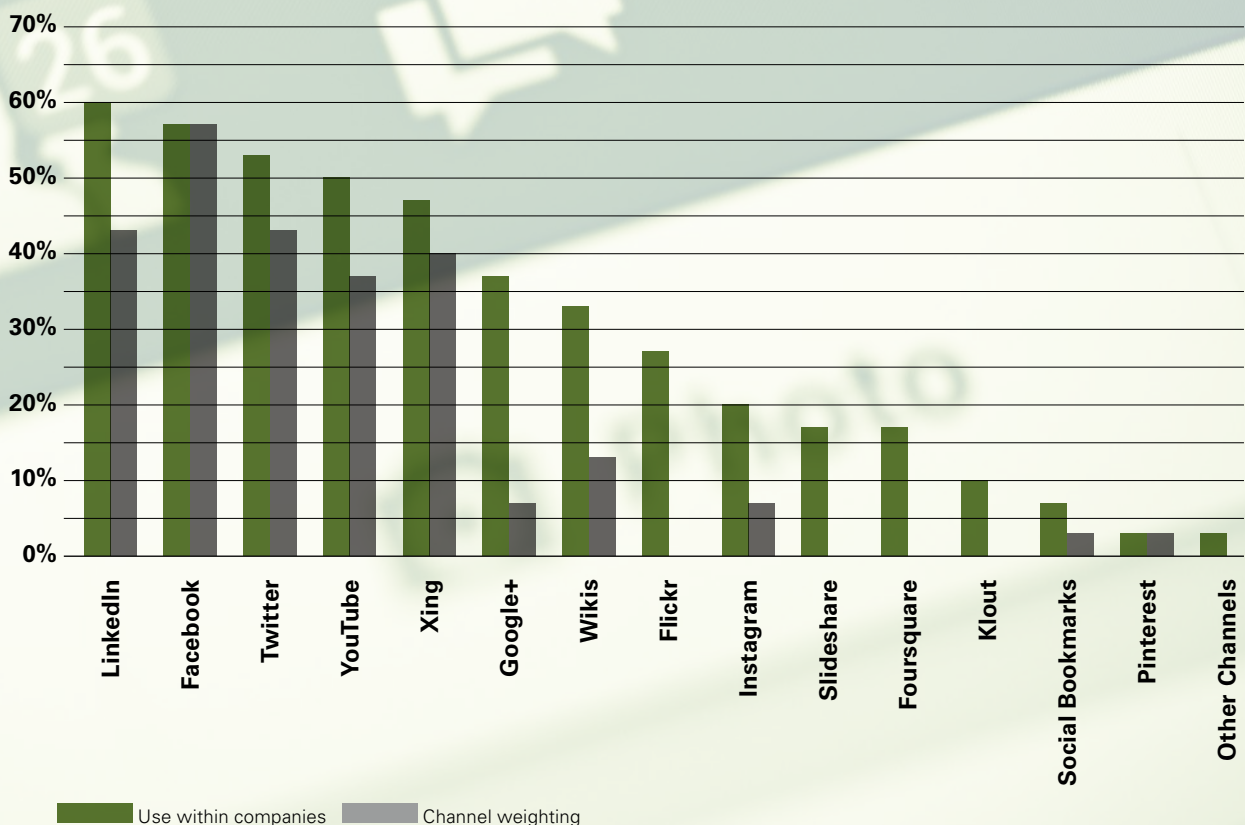
Scale: 0, 5, 10, 15, 20, 25, 30

## 3.4.1 Social media – a constant companion

Companies have accepted social media channels as a means of interacting with customers and understand how they contribute toward the business general objectives. There is a growing trend toward the drafting of social media strategies and guidelines. The digital monologue of the past is currently in the process of transforming into a dialog with customers.

LinkedIn, Facebook and Twitter are used most frequently followed by YouTube and Xing. Instagram, Slideshare and Flickr are also in widespread use. While these channels might be less important for enterprises, they are still managed as a part of search engine optimization to ensure that the enterprise appears at the top of the hit list. Accordingly, search engine marketing will continue to gain importance in the future and be an integral part of marketing activities.

**Which social media channels do you use? Please indicate the three most important social media channels for your company.**
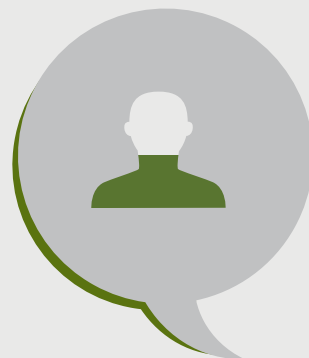


Legend: Use within companies | Channel weighting

**Which elements of social media governance are currently employed at your company?**

**Social media guidelines**
**63%**

**Social media monitoring**
**60%**

**Social media strategy**
**47%**

**Social media manual for employees**
**43%**

**Social media design guidelines for marketing & communication**
**33%**

**No indication**
**13%**

This type of communication requires more than just one marketing strategy. Nearly 70% of the companies surveyed already employ social media guidelines. Another key element is the use of social media monitoring tools for monitoring activities and thus measuring their impact and success. Since social media is not just the responsibility of the communications and marketing department, design guidelines and manuals must be established for employees throughout the entire company in order to create an organization that is open to dialog.

## 3.4.2 Mobile devices

Mobile devices have significantly changed how people use the Internet. Given that they enable online interaction that is not limited by time or location, they meet the growing needs for flexibility and independence.

The range of information and services to be offered via the mobile channel must be clearly defined. As a result, 60% of the executives surveyed already implement a mobile strategy in their companies. These mainly address topics such as how to use mobile applications for marketing purposes, how to optimize mobile touchpoints and the topics of "bring your own device" (BYOD) / "Choose Your Own Device" (CYOD). The strategy also takes internal needs into consideration, such as timekeeping and expense accounts, and defines mobile solutions and applications for other internal uses.

**Which of the following topics are covered by your mobile strategy?**



Mobile Apps
for Marketing purposes

Optimized mobile touchpoints

BYOD / CYOD

Mobile Apps
for internal purposes

Other content

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"The growing number of platforms and devices places high and complex requirements on companies' content strategies. So far, only a few companies have taken advantage of these efficient multichannel opportunities. Prerequisites for this include not only the proper technical basis but also effectively-designed internal processes. Generally, a lot of work still needs to be done in connection with the way companies manage their digital touchpoints both from a strategic perspective and in terms of appropriateness for their various target groups."

Compared to applications intended for external mobile use, internal applications are only minimally optimized for mobile devices. Just one third of the companies surveyed have optimized their intranet and other media for use on mobile devices. In just a few cases, employees are able to use, for example, a mobile terminal for time recording purposes. Only one of the companies we surveyed has digitalized their internal processes to such an extent that its employees can even enter expenses via a mobile device. This company even offers mobile solutions for production support.

"Ask yourself this question: Are we learning from other companies within our business environment? Does our corporate culture allow us to experiment and even make, and learn from, mistakes?"

Prafull Sharma,
Head CIO Advisory, KPMG AG

### Which digital touchpoints are optimized for mobile devices?

**Corporate intranet**
**21%**

**Corporate blog**
**18%**

**Landing page**
**24%**

**Website**
**64%**

**Display marketing**
**11%**

**Search engine (SEO/SEM)**
**25%**

**Forums**
**4%**

**Newsletters**
**28%**

## 3.5    Digital KPIs to measure success

Digitalization makes processes, interaction and communication increasingly transparent and measurable. It allows businesses to steer and optimize their digital activities based on solid data. Which activities and figures need to be measured, and how, to put success within reach?

The survey revealed that many companies take a very technical, simplistic approach to measuring their digital KPIs. This can be attributed to the fact that they lack an understanding of and/or the expertise for measuring digitalized processes and communication channels, or that they lack a strongly data-driven corporate culture. The reason behind the lack of expertise is frequently an inability to recruit specialists.
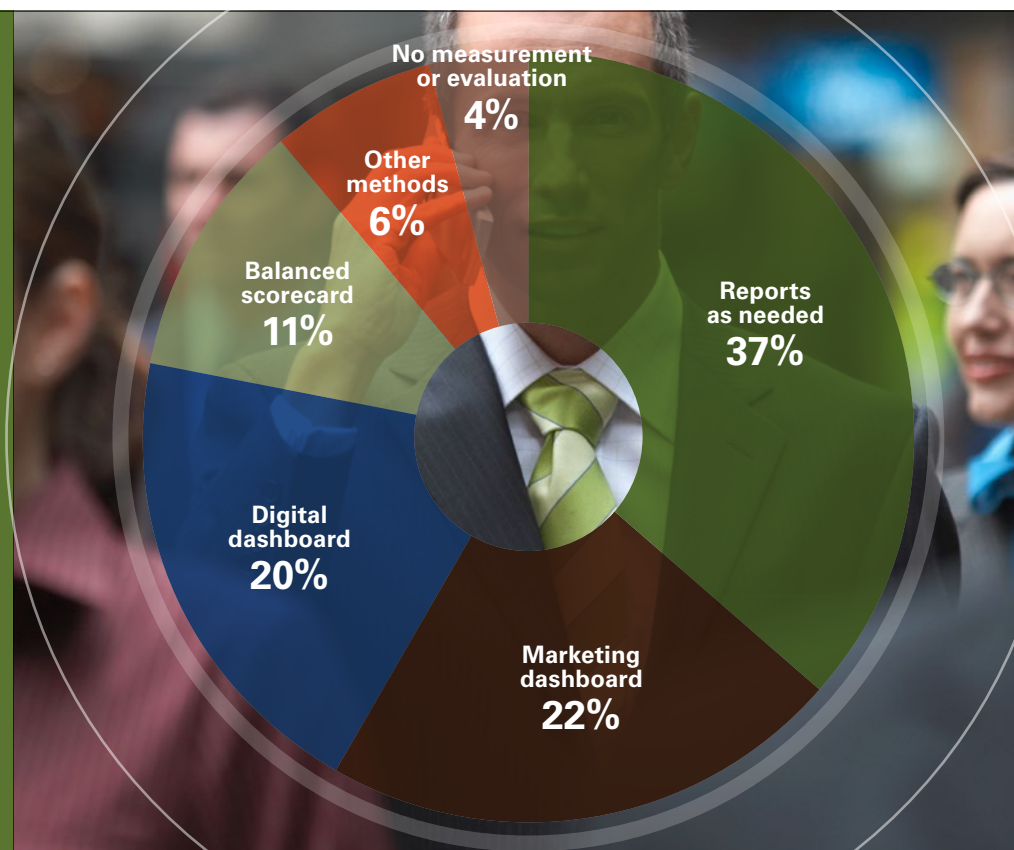
No question about it, the volume of information and data being collected is growing. Some initial methods for measuring business success are already available: online sales figures, rates of online interaction with customers, increased efficiency or a company's ability to conduct a dialog could be indicators of how effective online channels are within the context of higher-level business objectives.

At around 37% of the companies surveyed, reports are prepared as needed. This frequently comes hand in hand with time-consuming manual work. Nearly half of the companies use marketing or digital dashboards with firmly-defined KPIs. The digital KPIs, however, do not yet have any significant impact on corporate management at this point in time.

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"At present, only a very few companies employ a uniform, strategic and multichannel system for monitoring digital KPIs. This would be necessary for effectively steering the use of digital channels and other tools designed to promote the digital development of business models. A strategic concept is needed that defines how companies should measure the concrete, direct numbers-based contribution of digital channels toward the company's success. This kind of monitoring system enables the use of dashboards or reports for visualizing digital indicators for individual target groups. That, in turn, promotes internal awareness and thus a transformation in the digital culture."

**How do you make digital KPIs available to your management?**



- No measurement or evaluation **4%**
- Other methods **6%**
- Balanced scorecard **11%**
- Digital dashboard **20%**
- Marketing dashboard **22%**
- Reports as needed **37%**

# Recommended courses of action

**4**

Since customers are digital multitaskers, companies will (need to) assign digitalization a more pivotal role. Despite the fact that an international comparison has shown that Swiss enterprises have done some catching up over the past few years, the most innovative ideas still come from outside the country.

Firmly establish a holistic perspective in your company. Support digital innovation projects and learn lessons from other sectors that have already undergone a digital transformation.

**1**

The objectives and measures associated with digital transformation should be closely coordinated with the business strategy.

**2**

Promote collaboration and an exchange of expertise between your IT and marketing departments. Do not prioritize one of these departments over the other; instead, promote their collaboration. Make it possible for both to be business enablers. Also ensure that no shadow IT department is created within marketing.

New technologies are the driving forces behind business models, services and distribution channels. Standard products and services should be digitalized if this creates added value for customers or enables internal processes to be optimized.

**6**

The focus is on customers as individuals. Accordingly, they should each feel as if they are perceived as individuals. When it comes to communication with customers, place importance on the options offered by the use of technology and always meet the customer on his or her desired channel.

Invest strategically in the development of your digital touchpoints to meet and exceed the needs of Generation Y and your existing customers. This will help you to set yourself apart from the competition.

**8**

**4**

Analyze the data from your digital touchpoints to gain an even better understanding of your target group. Track and measure the success of mobile, web-based solutions as well as your online communications. Gathering and analyzing customer data will offer you innumerable opportunities to develop new products and services.

**5**

Social media is not simply about promoting content, but rather an enterprise's holistic, company-wide approach to dialog-oriented communication.
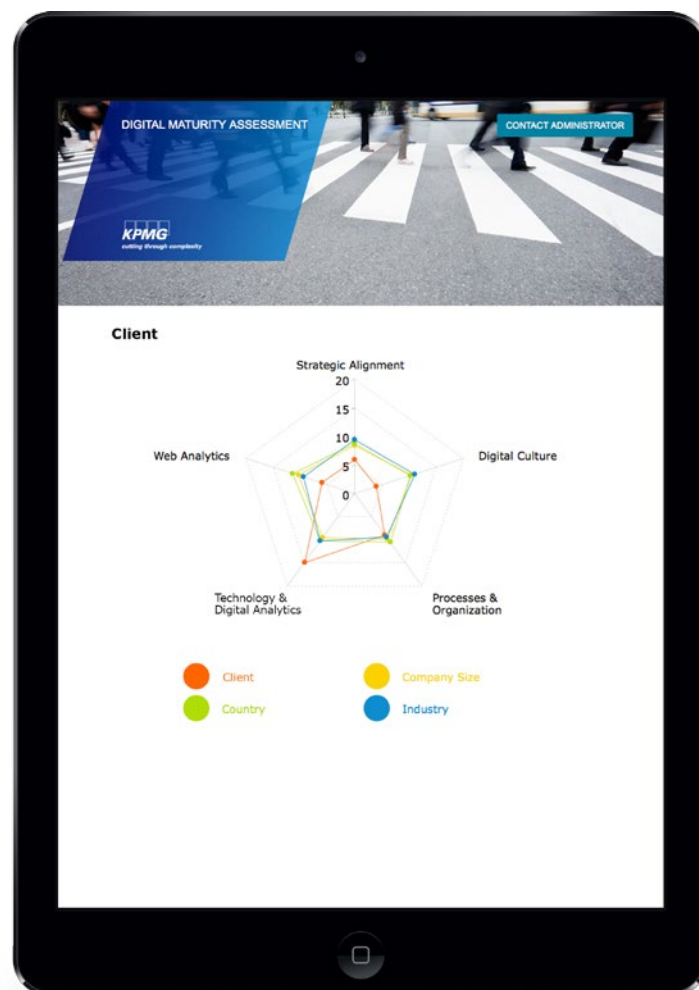
**9**

The need for mobile services and applications is huge. Mobile touchpoints have become standard. Ensure that all of your online channels are also available on mobile devices.

Digitalization

Apps Multichannel Publishing

Communication

Disruptive People
Technologies

Value Mobile
Chain Silos Switzerland
Technology Leadership

Performance

Online

Marketing Efficiency

Cloud Customer Centricity
Employees Innovation
Powershift Success Digital Transformation

Business Model Dashboards
Process Efficiency

Mobile Payment Social Media
Channel Shift Customer Experience

Monitoring Digital Governance Change
Wearable Devices Privacy Culture
Business Processes Strategic Alignment
Knowledge
Customer Insight Gamification

# 5

# Digital Maturity Assessment

KPMGs Digital Maturity Assessment Tool determines a companys level of digital maturity. This assessment is based on the dimensions of strategic alignment, corporate culture, processes and organization, technology and digital analytics. Over the course of an approximately one-hour meeting, our specialists evaluate a companys digital fitness and point out areas where action could be taken. Interested? Then get in touch, we are looking forward to meet you.

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