

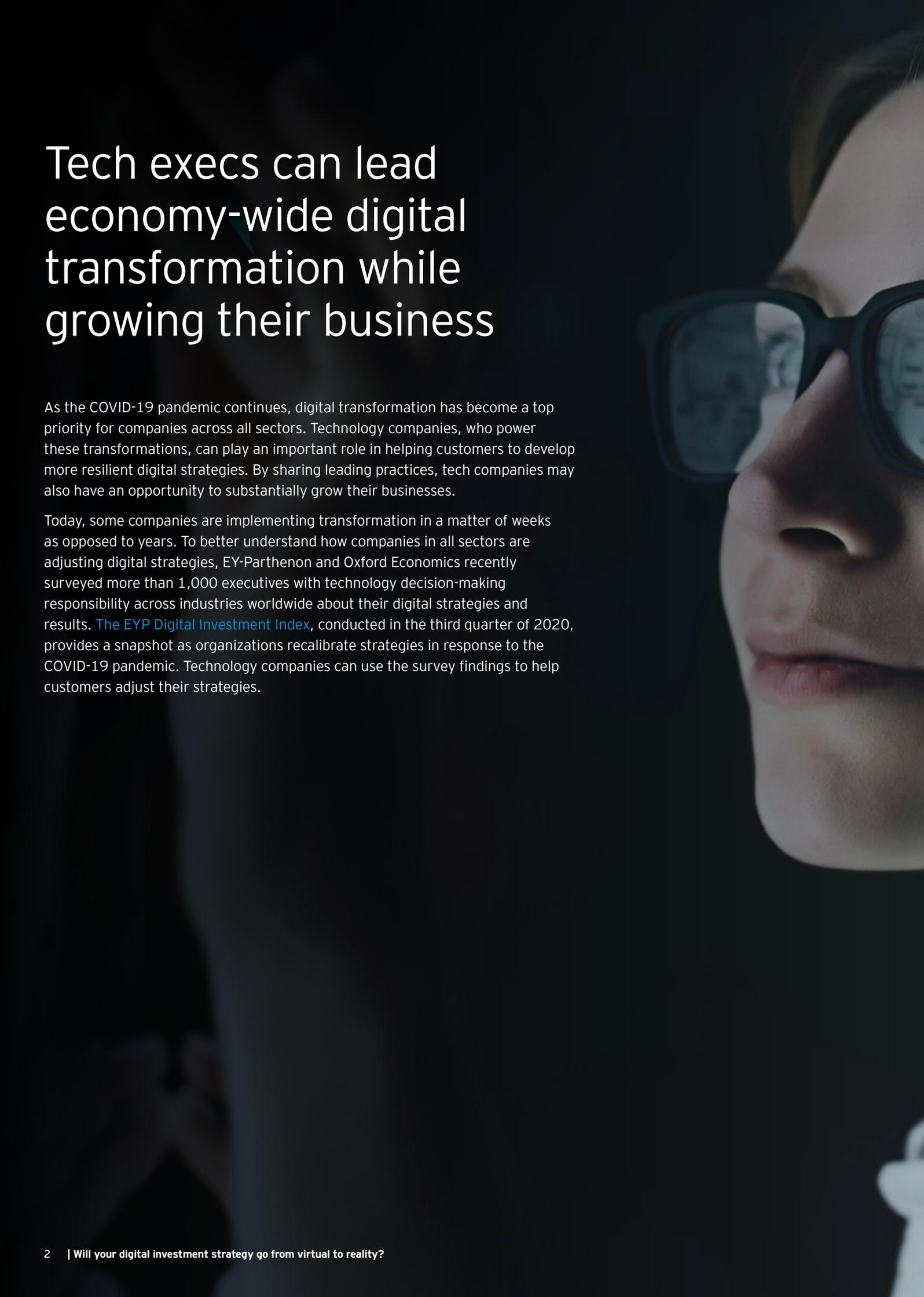
Technology, Media and Entertainment, and Telecommunications

Will your digital investment strategy go from virtual to reality?

How tech companies can help their customers become digital leaders.



The better the question. The better the answer.
The better the world works.



Tech execs can lead economy-wide digital transformation while growing their business

As the COVID-19 pandemic continues, digital transformation has become a top priority for companies across all sectors. Technology companies, who power these transformations, can play an important role in helping customers to develop more resilient digital strategies. By sharing leading practices, tech companies may also have an opportunity to substantially grow their businesses.

Today, some companies are implementing transformation in a matter of weeks as opposed to years. To better understand how companies in all sectors are adjusting digital strategies, EY-Parthenon and Oxford Economics recently surveyed more than 1,000 executives with technology decision-making responsibility across industries worldwide about their digital strategies and results. [The EYP Digital Investment Index](#), conducted in the third quarter of 2020, provides a snapshot as organizations recalibrate strategies in response to the COVID-19 pandemic. Technology companies can use the survey findings to help customers adjust their strategies.



EY-Parthenon survey finds most companies lack the right digital strategy

The EY-Parthenon survey shows that digital performance leaders from all industries have clearer strategies and technical execution prowess, resulting in higher digital return on investment and revenue growth. But the data also indicates that 63% of companies say they do not have a clearly defined digital strategy.

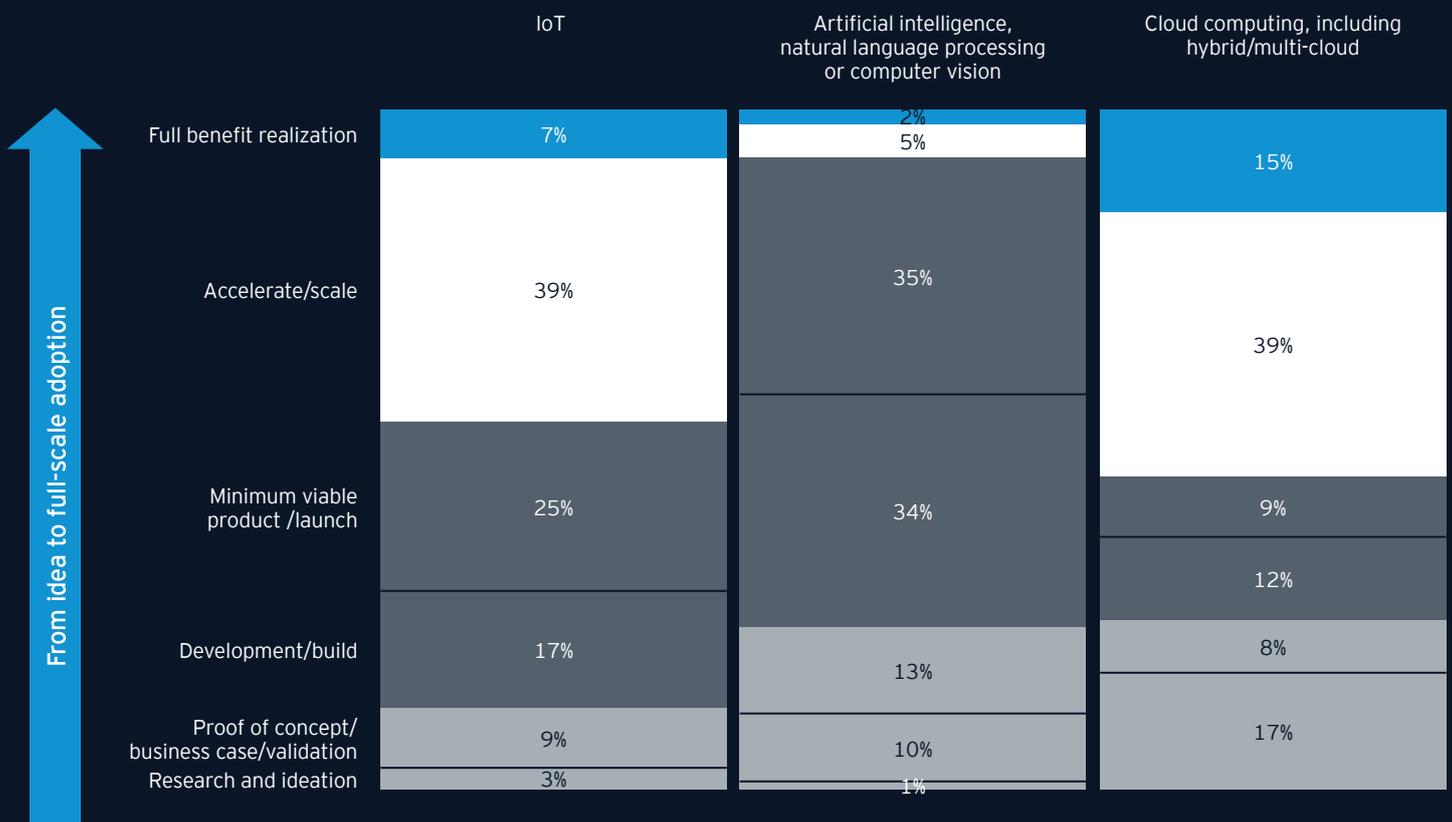
Technology companies can use this insight as an opportunity to assist customers with formulation of their digital strategy either directly or more proactively through channel and alliance partners. Each customer's strategy will be unique based on the business function and industry they serve and their current digital maturity. It is important for tech companies to partner with customers to think through opportunities, risks and enterprise-wide implications of different digital strategies with an emphasis on differences between operations vs. growth. It is also critical to keep in mind who the customer is and what their end goals are. Technology companies that influence their customer's digital strategy can benefit by offering a holistic business solution based on a deeper understanding of the customer, while simultaneously receiving the correct level of executive sponsorship.

Managing data challenges

Additionally, the survey found that all companies continue to experience challenges around incomplete data, lack of a strong data analytics function and deficient data monetization strategies. This prevents some companies from realizing return on their digital investment. Technology companies can use their expertise in this area to help their customers connect data sources and add clarity by implementing high-value gates on data to increase usability. For example, a large automotive manufacturer created a set of “digital signals” to analyze high-value behaviors (vehicle configuration, inventory searches, pricing comparisons, etc.) to better target the customer experience based on predicting where the consumer was in their shopping journey. The manufacturer was then able to deploy precise sales and marketing solutions, freeing up significant manpower and capital.

The survey reveals that nearly all companies continue to prioritize the Internet of Things (IoT), artificial intelligence (AI) and cloud technologies, which drive increased data availability and improve capabilities in automation and data processing, but, surprisingly, very few have yet to realize the full benefits of these technologies. In fact, many respondents indicated that they do not have the right emerging technology to execute their digital strategy. This presents a plethora of opportunities for tech companies to drive value by continuing to emphasize IoT, AI and cloud business solutions. By providing solutions that simplify and automate data management, tech companies can benefit from customers reallocating capital to other digital initiatives.

Q What best describes the progress in your company’s technology investments?



Tracking financial impact

The survey also found that companies are struggling to track financial impact, with only 24% indicating that they measure return on digital investments (RODI). Our findings show that companies that measure the impact of their digital investments achieve higher returns. But many are not able to do this because they lack executive alignment on digital goals and digital use cases to correspond to a desired financial impact. We've seen that digital leaders increase returns on their digital investments by using two key factors. First is an integrated set of metrics or key performance indicators (KPIs) that they consolidate and track in one place. Second is an organizational ecosystem that cohesively pursues opportunities.

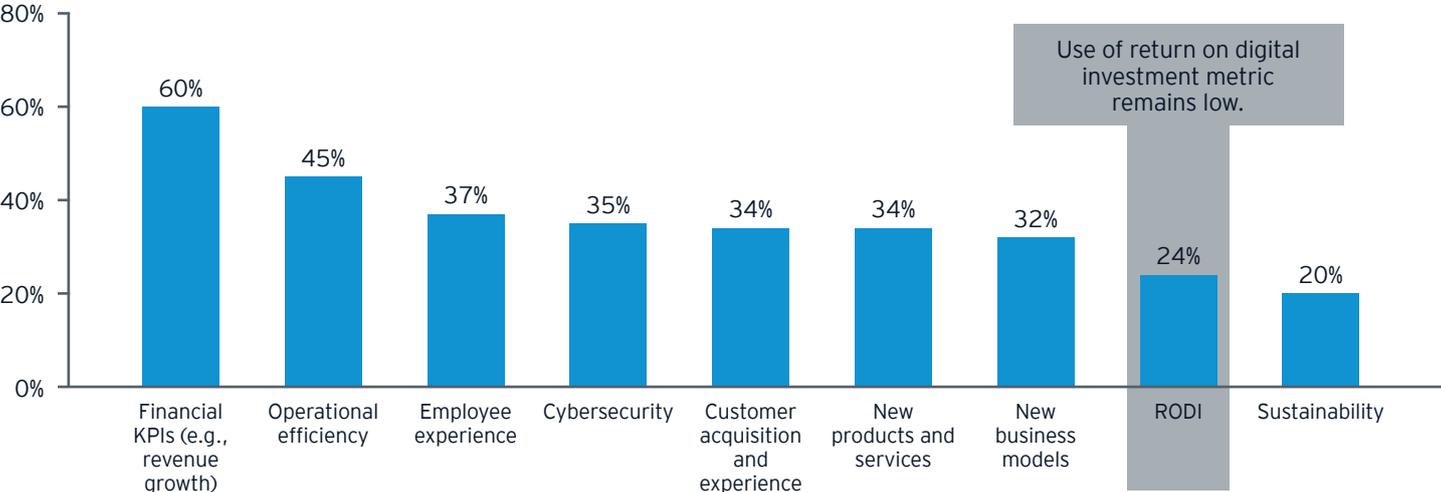
Digital KPIs can help a company ascertain how far it has progressed on their digital strategy and to what extent it is improving their digital business outcomes. However, most companies who are implementing digital strategy lag digital ambition. For example, they are aware of the targets they aim to achieve within a given time frame but are unaware of the parameters that they need to track to measure the advancement in their operations. In general, there are no standard digital transformation KPIs that can be applied to all organizations and across all digital initiatives, so firms need to customize KPIs in parallel with management priorities. Companies can do this more effectively by setting sub-goals that should be tracked in terms of return on investment,

increase or decrease in value or volume across any specific parameter. These parameters can include operational efficiency, customer satisfaction and lifetime value creation.

To diagnose the strength of a customer's organization ecosystem, technology companies should ask their customers who owns digital. If digital is owned by marketing, the metrics may be around e-commerce, social media impressions, media optimization and channel mix. If digital is owned by IT, the customer may want to focus on digital tech platforms and software, cyber, the cloud and digital tools. If ownership lies somewhere else (strategy, finance, or, especially, direct report to CEO), a total business view is likely addressing both operations and growth across all areas of the business.

Return on digital investment often cannot be attributed to a specific digital solution, rather it is due to several solutions that combine to solve a specific business need. For tech companies, this illustrates the challenge of finding the right buyer within an organization. It also can be an opportunity to help customers think through digital KPIs with an approach that makes it possible to demonstrate impact to key stakeholders. By using their experience to showcase where customers can see value from a business perspective and partnering with them to formulate digital KPIs, a case can be made for future digital investment.

Leading KPIs



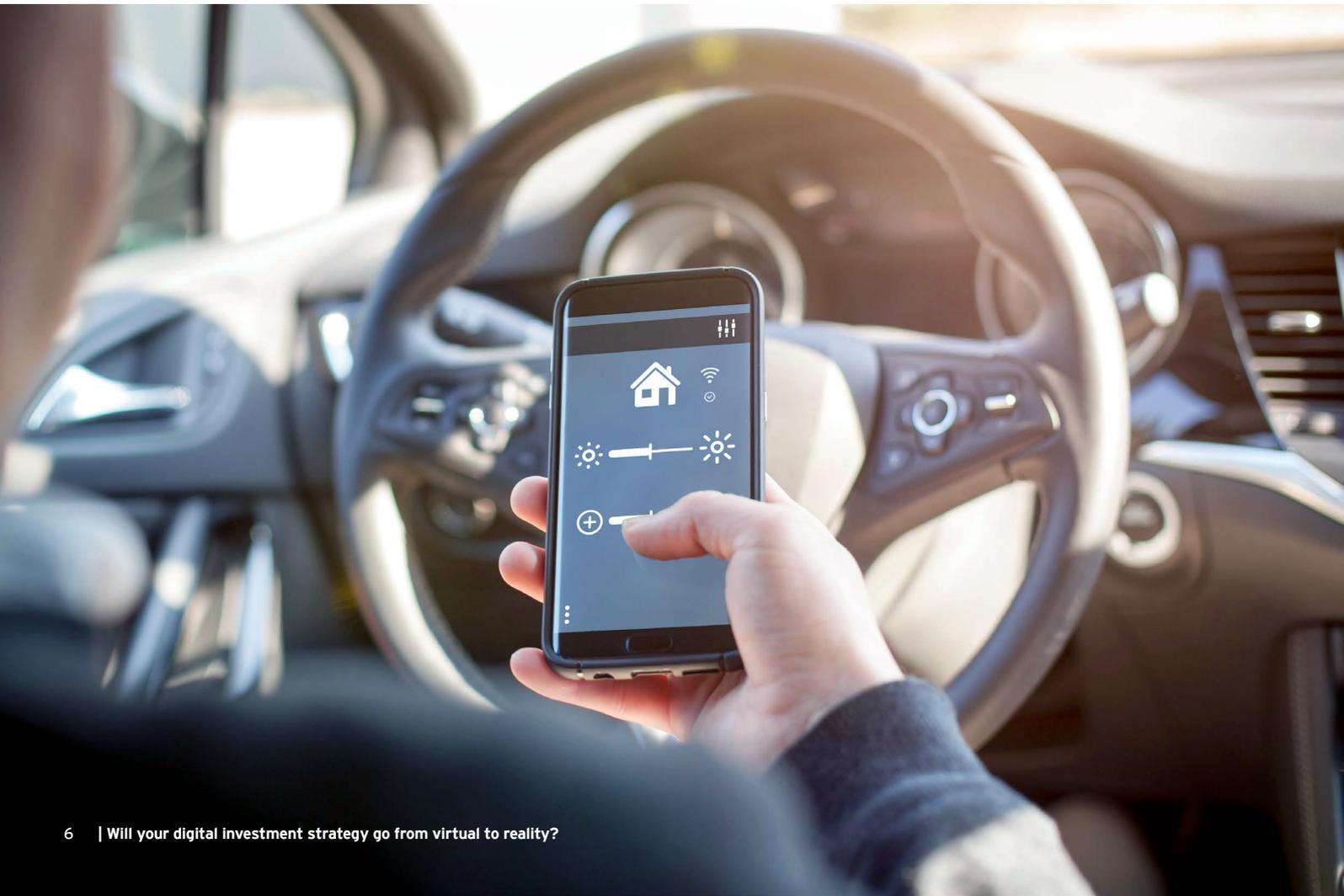
Providing holistic solutions

Survey respondents also indicate that they are also struggling to scale digital initiatives due to talent shortages, funding constraints and ineffective operating models. Most companies indicate that they have yet to realize the full benefits of the digital initiatives across their organization. Tech companies can be strategic sellers by providing holistic solutions consisting of both products and consultative services. These solutions can bridge gaps where the customer has deficiencies. Specifically, they can help customers accelerate digital adoption by giving input during the research and ideation stages and by validating business use cases.

For example, a technology services company provided holistic assistance to a large telecom client in implementing business support processes and operations support systems through a multi-phased approach across its organization. The technology

firm further assisted a global asset management organization in adapting a cloud managed services model to reduce costs and improve ongoing operational efficiencies. The holistic approach now drives software companies to understand the business model and connect layers within an organization's software suite (two or more software programs bundled and sold together), in contrast to providing a single ,specific-use-case solution.

Companies across all sectors of the economy are increasingly adopting digital transformation and leveraging technology to improve every aspect of their business. Technology companies have an opportunity to expand their businesses significantly by guiding customers through the digital transformation process, offering leading practices and holistic solutions.



EY-Parthenon contacts



Barak Ravid

*EY Global Technology, Media, Telecommunications Leader
for Strategy and Transactions*
Ernst & Young LLP
barak.ravid@parthenon.ey.com



Peter Ulrich

Principal, EY-Parthenon Digital Strategy
Ernst & Young LLP
peter.o.ulrich@parthenon.ey.com



Glenn Engler

Principal, EY-Parthenon Digital Strategy
Ernst & Young LLP
glenn.engler@parthenon.ey.com

Contributors

Thanks to EY-Parthenon's Ahana Sarkar, Rahul Agrawal and Swati Sharma for their contributions to this article.

EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

About EY-Parthenon

EY-Parthenon teams work with clients to navigate complexity by helping them to reimagine their eco-systems, reshape their portfolios and reinvent themselves for a better future. With global connectivity and scale, EY-Parthenon teams focus on Strategy Realized – helping CEOs design and deliver strategies to better manage challenges while maximizing opportunities as they look to transform their businesses. From idea to implementation, EY-Parthenon teams help organizations to build a better working world by fostering long-term value. EY-Parthenon is a brand under which a number of EY member firms across the globe provide strategy consulting services. For more information, please visit ey.com/parthenon.

© 2021 Ernst & Young LLP.
All Rights Reserved.

EYG no. 002304-21Gbl
CSG No. 2010-3605181
ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, legal or other professional advice. Please refer to your advisors for specific advice.

ey.com